



# Fiscal Year (FY) 2024 Budget Presentation

Leslie Thomas, Certified Public Accountant (CPA)

Chief Financial Officer (CFO)

Mid-State Health Network

530 W. Ionia Ste F.

Lansing, MI 48933

Joseph Sedlock, Chief Executive Officer (CEO)

Amanda Ittner, Deputy Director (DD)

# Budget Development

## REVENUE ESTIMATES

- Michigan Department of Health and Human Services (MDHHS) along with Milliman its actuarial firm, provided a draft Rate Certification letter to PIHPs in August 2023.
- PIHP Finance Staff used details from the letter and appendices to develop revenue estimates. The draft Rate Certification revealed key items which negatively impacted the regions revenue. The items included a significant decrease in Healthy Michigan Plan (HMP) enrollees to slightly above pre-pandemic levels. In addition, there was an average decrease of 22% in HMP payment rates.
- Medicaid Savings Carryforward is at a historical low - causes include CMHSP increased spending and unexpected capitation use of nearly \$22 M for Certified Community Behavioral Health Centers (CCBHCs).
- CMHSP Supplemental Revenue increased by \$55 M - this means a larger portion of the Prospective Payment Systems (PPS-1) will be covered with this funding in FY 24.
- As in previous FYs, MSHN will continue its review of revenue and expense estimates several times throughout the FY. Review processes ensure the region can identify anticipated cost overruns or projected surpluses and facilitates future fiscal planning.

# FY 2024 Regional Operating Revenue

CATEGORY	AMOUNT	DESCRIPTION
Prior Year Savings	\$ 6,930,100	Budget based on projected FY2023 savings
Medicaid Capitation SP/iSPA MH	447,757,926	Budget based on FY2024 draft capitation rates
Medicaid Capitation SP/iSPA SUD	20,142,408	
Medicaid Capitation HSW	124,678,434	
Healthy Michigan Plan Capitation MH	52,532,134	
Healthy Michigan Plan Capitation SUD	27,534,504	
Medicaid Autism	62,485,816	
Medicaid DHS Incentive Payment	1,757,910	
CCBHC Supplemental Payments	76,975,695	
Hospital Rate Adjustor	17,251,450	Budget based on potential inpatient utilization increase
Performance Bonus Incentive Payment	5,513,484	Budget based on percentage of projected revenues
Community Grant and Other SUD Grants	16,895,320	Budget based on DHHS allocations
PA2 Liquor Tax SUD	4,736,318	Budget based on OPB approved amounts
Local Match Contribution	1,550,876	Budget based on FY2023 amount; FY2024 amount not available at time of budget development
Interest Income	1,300,000	
Other Grants	371,985	Budget includes Veteran Navigator and Clubhouse Engagement
Other Income	-	
<b>TOTAL REVENUE BUDGET</b>	<b>\$ 868,414,360</b>	

# MSHN PIHP Administrative Expenses

- ▶ FY 2024 MSHN administrative expenses are projected to increase \$1.63 Million from the FY 2023 Amended Budget. The majority of this increase relates to adding new Integrated Health positions along with a few previously approved positions that were not filled in FY 2023. In addition, a 4% Market Based Adjustment for staff is included, which is in line with CMHSP staff increases. By policy, MSHN performs a market analysis every three years to evaluate its salary scale. The analysis was performed in FY 2023 and informed the recommended increase above.
- ▶ FY 2024 Overall administrative budget represents 1.20% of total expenses or a .13% increase from FY 2023 Amended Budget. Historically, MSHN admin has remained less than 1.55% of total expenses for the original budgets

FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
1.18%	1.42%	1.52%	1.42%	1.47%	1.30%

- ▶ FY 24 Budget includes Seven (7) unfilled positions needed to meet MDHHS administrative requirements:
  - ▶ Four (4) New Integrated Health positions to CCBHC, Opioid Health Home (OHH), and Behavioral Health Home (BHH) initiatives.
    - ▶ Integrated Care Coordinator, Complex Care Coordinator, Integrated Care Assistant, Director Integrated Care
  - ▶ Remaining three (3) positions will support the following functions and initiatives:
    - ▶ Lead Treatment Specialist: Substance Use Disorder (SUD) Treatment Operations - previously approved
    - ▶ SUD Coordinator - Treatment and Prevention Operations - New
    - ▶ Financial Specialist: Support OHH, BHH, and CCBHC reporting - previously approved

# Budget Development

## PIHP ADMINISTRATIVE EXPENSES - continued

- ▶ Expense development includes:
  - ▶ 4.1% increase for employee benefits - employer portion. Employee portions increased 87% and are still relatively low. In addition, a third plan with zero cost to employees was offered which included a higher copay/deductible
  - ▶ Prior year trending for general expenses (Please note: Payroll and Human Resources Processing Costs from MSHN's Professional Employment Organization (PEO) are unchanged for FY 24)
  - ▶ **Reduced office space cost of nearly \$18 k**
  - ▶ Consultation needs derived from Strategic Plan initiatives and MDHHS Contract requirements
  - ▶ Technology needs
  - ▶ Conferences and training needs
  - ▶ Other items identified in staff interviews/meetings

CATEGORY	AMOUNTS	DESCRIPTION
Salaries and Wages	\$ 5,947,787	Includes additional staff related to increased PIHP responsibilities
Employee Benefits	2,105,489	Additional staff
Other Contractual Agreements	427,000	Includes contract costs such as, but not limited to, IT and finance support services
IS Subscriptions and Maintenance	992,000	Includes software costs such as, but not limited to, care coordination, data analytics, document sharing, managed care, Microsoft Office, parity
Consulting Services	212,800	Includes allowance for additional consulting services
Conference and Training Expense	138,550	Additional staff, in-person conferences
Human Resources Fees	63,050	Additional staff
Mileage Reimbursement	82,475	Increase in in-person activities
Other Expenses	240,000	
Building Rent Amortization	39,004	
Telephone Expense	113,400	Additional staff
Office Supplies	22,250	
Printing Expense	63,000	
Meeting Expense	31,825	
Liability Insurance	32,500	
Depreciation Expense	-	
Audit Services	60,000	
OPB and Council Per Diems	18,900	
Dues and Memberships	8,250	
Legal Services	5,000	
Equipment Rent	2,650	
Internet Services	3,200	
<b>Subtotal Administration</b>	<b>\$ 10,609,130</b>	

# Budget Development

## EXPENSE FIGURES

- ▶ Community Mental Health Services Programs (CMHSPs) - Expense numbers submitted by Ten of Twelve CMHSPs exceed projected revenue. MSHN encouraged CMHSPs to report expenses needed to address ongoing state-wide concerns in the following areas:
  - ▶ Staff Retention
  - ▶ Staff Attraction
  - ▶ Temporary Payment Adjustments
  - ▶ Provider Stabilization - Utilization Issues
- ▶ Substance Abuse Prevention and Treatment (SAPT) providers - Expense amounts based on prior year utilization or negotiated contract/cost reimbursement funding levels. In addition, the spending projections include a 10% regional rate increase for the same concerns noted in the CMHSP section. MSHN's SAPT revenue is not sufficient to cover projected expenses. Nearly all of the estimated cost overrun is in HMP.
- ▶ In past Fiscal Years, MSHN's region aggressively implemented fiscal stabilization strategies within its provider networks while also introducing incentives to address internal staffing retention. **We acknowledged and understand consumer care was at risk if we did not take measures noted. Unfortunately, the same fiscal needs are present but current revenue projections are much lower than recent historical amounts.**

# Budget Development

## EXPENSE FIGURES

- ▶ Community Mental Health Services Programs (CMHSPs)
- ▶ Substance Abuse Prevention and Treatment (SAPT) providers

CATEGORY	AMOUNTS	DESCRIPTION
CMHSP Participant Medicaid, including CCBHC	\$ 637,480,145	Budget based on CMHSP FY2024 budgeted expenses
CMHSP Participant Healthy Michigan Plan, including CCBHC	75,126,687	
CMHSP Participant Medicaid Autism	57,436,628	
CMHSP Participant Other	5,716,137	Budget includes Performance Bonus Incentive Payments and Clubhouse Engagement grant
SUD Medicaid Contracts	19,749,480	Budget based on projected utilization and reimbursement rate increases
SUD Healthy Michigan Plan Contracts	32,000,000	
Community Grant and Other SUD Grants	16,051,640	Budget based on projected utilization, reimbursement rate increases, and utilization of other SUD grants
SUD PA2 Liquor Tax	4,736,318	Budget based on OPB approved amounts
Hospital Rate Adjustor	17,251,450	Budget based on potential inpatient utilization increase
Tax Insurance Provider Assessment	6,804,053	Budget based on annual assessment
Tax Local Match Contribution	1,550,876	Budget based on FY2023 amount; FY2024 amount not available at time of budget development
<b>Subtotal CMHSP and SUD Expenses and Taxes</b>	<b>\$ 873,903,414</b>	

# FY 2024 Regional Budget Summary

Revenue		
Category	Amount	% of Total
Behavioral Health	\$ 797,433,825	91.83%
SAPT	\$ 69,308,550	7.98%
Other	\$ 1,671,985	0.19%
<b>Total</b>	<b>\$ 868,414,360</b>	<b>100.00%</b>

Expense		
Category	Amount	% of Total
Behavioral Health	\$ 775,759,597	87.70%
SAPT	\$ 72,537,438	8.20%
Taxes	\$ 25,606,379	2.89%
Admin	\$ 10,609,130	1.20%
<b>Total</b>	<b>\$ 884,512,544</b>	<b>100.00%</b>

FY 24 Rev under Exp (\$16,098,184) - \$0 savings; FY 24 Internal Service Fund (ISF) Beginning Balance \$54,673,365 - FY 24 ISF Ending Balance \$38,575,181 (The allowable maximum is \$55,266,685)