

FY 2021 PREVENTION, TREATMENT AND RECOVERY SERVICES

PROBLEM SUMMARY AND REDUCTION STRATEGY

On October 26, 2020 Mid-State Health Network (MSHN) was notified by the Michigan Department of Health and Human Services (MDHHS) Office of Recovery Oriented Systems of Care (OROSC) of a significant reduction in block grant funding for the current fiscal year (FY 21). MDHHS OROSC indicated the funding reduction for MSHN to be 38% overall - nearly \$5.3M. The MSHN Board of Directors was informed of this at its November 10, 2020 meeting.

According to a summary of this issue provided by OROSC via the Community Mental Health Association of Michigan, "In previous years, including the initial establishment of FY21 projects, PIHP budgets have been established by MDHHS by a funding formula based on county level poverty and unemployment without updated input from the PIHPs. This has resulted in the need to make many changes to the budgets throughout the FY to more accurately reflect the needs of each region. As a result of the budget reductions and to try to avoid multiple amendments throughout the year, OROSC met with each PIHP in October to go over their budgets and made the needed changes with the 2nd amendment cycle... The reduction in federal SUD block grant dollars to be received by Michigan's PIHPs in FY 2021, from the FY 2020 funding level, is due to the fact that the block grant funds distributed to the PIHPs over the past several years included unspent dollars from prior years. Due to a number of causes – chief among them are the increases in demand for SUD services by persons without Medicaid nor other insurance coverage – these unspent dollars, from prior years, are not available to be included in the Community Grant dollars (which include federal block grant and matching state GF dollars) allocated to the state's PIHPs in FY 2021."

MSHN has used Substance Abuse Prevention and Treatment (SAPT) block grant funding to support Substance Use Disorder (SUD) treatment, prevention and recovery services for individuals that do not qualify for Medicaid/Healthy Michigan Plan (HMP) and have incomes insufficient to cover the cost of services and supports. Block grant is also used to pay for services/supports/infrastructure that are not allowable under Medicaid or HMP funding.

MSHN anticipates sufficient fiscal year 2021 Medicaid and Healthy Michigan Program funding to meet all of its current obligations to provide medically necessary treatment services and supports to covered beneficiaries. Block grant services and supports are not treatment entitlements and MSHN must operate within available resources. Although prevention services are earmarked for a minimum of 20% of block grant funding, the reduction of MSHN's overall block grant funding also affects prevention services. As a result, MSHN must make reductions to block-grant funded prevention, treatment, and recovery services and supports.

OROSC has provided additional funding via the State Opioid Response grant (SOR "No Cost Extension" and SOR 2) and has indicated more flexibility in how SOR resources are used to offset block grant reductions. Note, however, that SOR grant cannot be used as a 1-to-1 offset to block grant reductions due to SOR grant rules and restrictions. Also note that because the block grant reduction is permanent (starting in FY 21 and continuing into future fiscal years), and SOR grant funds will expire, the sustainability of projects/services supported with grant funds will need to be addressed in future fiscal years with less community grant funding availability to support them.

MSHN regrets the necessity to implement the reductions we detail below. Where applicable, MSHN has utilized the availability of State Opioid Response (SOR) funding to offset as much of the block grant reduction as possible and has no other funding that it can legitimately use to avoid these reductions or their impacts on individuals, families, communities and providers.

BLOCK GRANT FUNDED SERVICES - PROBLEM:

BLOCK GRANT FUNDING	
A. FY 21 MSHN Budgeted/Projected Block Grant Expenses	\$ 13,280,058
B. Reduced MDHHS allocation	\$ 8,650,219
C. Target Block Grant Reduction Subtotal (A-B)	\$ 4,629,839

TREATMENT AND RECOVERY SERVICES - REDUCTION STRATEGY:

REDUCTION STRATEGY	ESTIMATED FISCAL IMPACT
1) Block Grant Cost Avoidance: MSHN will not support, <i>with block grant funds</i> , any new provider initiatives or provider expansion initiatives. MSHN will suspend any activity in our regional SAPTR strategic plan that require expenditure of block grant funds.	0
2) Implement Block-Grant Specific Benefit Plan: <ul style="list-style-type: none"> • Effective 01/01/21 • Frequency of Utilization Review is more frequent and should: <ul style="list-style-type: none"> ○ Confirm continuing eligibility ○ Confirm medical necessity ○ Lead to earlier discharges or fewer authorized services and ○ Confirm actions are being taken to assist beneficiaries in applying for Medicaid or Healthy Michigan Plan • Establishes limits on number of episodes per year for non-priority populations • Establishes service maximums across levels of care for non-priority populations • Includes savings from revised beneficiary co-pay schedule 	1,650,000
3) Reduce Room and Board Paid to Residential-Based Providers by 25% <ul style="list-style-type: none"> • Effective 01/01/21 • Pressures providers to generate revenue to support R&B • May shift responsibility to beneficiaries for a portion of room and board costs 	460,016
4) Reduce Recovery Housing Reimbursement by 25% <ul style="list-style-type: none"> • Effective 01/01/21 • May shift responsibility for some costs to beneficiaries 	238,252

REDUCTION STRATEGY	ESTIMATED FISCAL IMPACT
5) Limit block grant funded services to in-region residents only (especially for Recovery Housing) <ul style="list-style-type: none"> • Effective 01/01/21 • MSHN has received contract requirements exception from MDHHS 	75,393
6) Development of bundled rates for selected services depending on success of other strategies that would naturally achieve desired level of impact <ul style="list-style-type: none"> ○ Monitor until 04/01/21 – take action if needed. 	150,000
7) Provider-specific/Service-specific targeted reductions (Estimates): <ul style="list-style-type: none"> • Case Management • Jail-Based Services • Drop In Centers • Peer Services in Recovery Courts 	4,312 42,122 11,598 16,010
8) Reductions to Community Recovery Programs <ul style="list-style-type: none"> • Effective retroactive to 10/01/20 • One provider-suggested reductions; two MSHN determined reduction 	99,700
9) Project-Specific Reductions (Project Assert & FQHC Supports) – <ul style="list-style-type: none"> • Provider suggested reductions • Effective retroactive to 10/01/20 	64,500
10) Shift applicable programming costs to State Opioid Response (SOR) grant for specific Project Assert programming <ul style="list-style-type: none"> • Effective retroactive to 10/01/20 • MSHN to develop FY 22 sustainability/funding strategy 	68,886
11) Shift applicable recovery housing – specific costs to SOR <ul style="list-style-type: none"> • Effective retroactive to 10/01/20 • MSHN to develop FY 22 sustainability/funding strategy 	402,500
12) Non-Quantifiable Impacts Expected: <ul style="list-style-type: none"> • COVID-19 related utilization decreases • Rate standardization for Recovery Housing • Increased Medicaid/HMP Eligibility due to efforts in Strategy #1 • ~\$98,000 in Admin Reductions (admin costs are allocated as a percentage of revenue and will be automatically reduced as reductions are implemented) 	
Planned Treatment and Recovery Reductions Total	\$ 3,283,289

PREVENTION SERVICES - REDUCTION STRATEGY

REDUCTION STRATEGY	ESTIMATED FISCAL IMPACT
1) Block Grant Cost Avoidance: MSHN will not support, <i>with block grant funds</i> , any new provider initiatives or provider expansion initiatives. MSHN will suspend any activity in our regional SAPTR strategic plan that require expenditure of block grant funds.	0
2) Shift applicable programming costs to State Opioid Response (SOR) grant <ul style="list-style-type: none"> • Effective retroactive to 10/01/20 • MSHN to develop FY 22 funding and sustainability strategies (assume no continuing SOR grant availability/support) 	234,525
3) Reduce Specific Prevention Provider Approved Budgets - TOTAL:	487,417
4) Non-Quantifiable Impacts Expected: <ul style="list-style-type: none"> • COVID-Related decreased programming leading to decreased operating costs • ~\$12,800 in Admin Reductions (admin costs are allocated as a percentage of revenue and will be automatically reduced as reductions are implemented) 	
Planned Prevention Reductions Total [2) + 3)]	721,942

SUMMARY OF BLOCK GRANT REDUCTION STRATEGY:

Planned Treatment and Recovery Reductions Total	\$ 3,283,289
Planned Prevention Reductions Total	\$ 721,942
TOTAL REDUCTIONS IN BLOCK GRANT EXPENDITURES	\$4,005,231
Target Block Grant Reduction	4,629,839
Remaining Future Reduction (Non-quantifiable impacts, future reductions if needed)/Revenue Support From Failsafe Plan Needed	624,608

FAILSAFE MEASURES FOR OVER EXPENDITURE (INSUFFICIENT REDUCTIONS) FOR ALL SUD BLOCK GRANT FUNDED SERVICES:

OVER-EXPENDITURE (INSUFFICIENT OR INEFFECTIVE BLOCK GRANT REDUCTION STRATEGY) FAILSAFES	
1) <u>First Line of Failsafe:</u> MSHN will request commitment of up to 25% of available PA2 (Liquor Tax) from the Oversight Policy Board to support block grant over-expenditures resulting from insufficient or ineffective reductions and unanticipated expenditures	~ESTIMATE ~ \$ 2,444,543.35
2) <u>Second Line of Failsafe:</u> If necessary, MSHN will develop a proposal for Operations Council and MSHN Board Support to allocate an undetermined portion of MSHN-earned Performance Bonus Incentive Funds (now provided to CMHSPs as restricted local). Estimate not developed.	\$ 0.00

COST CONTAINMENT STRATEGIES BEYOND FY21

MDHHS OROSC has indicated that the SUD Block Grant funding reduction is expected to be permanent, requiring MSHN to evaluate cost containment strategies beyond FY 21. MSHN is assessing the necessary resource and infrastructure requirements to ensure it can meet its obligations to provide medically necessary services and supports to SUD priority populations while operating within available resources in the coming fiscal years. This will likely include adjustments to access, utilization management, and monitoring processes such as centralizing access at MSHN and requiring prior authorization for all block-grant funded services and performing more frequent authorization reviews.

MID-STATE HEALTH NETWORK



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 Chief Executive Officer
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