



Fiscal Year (FY) 2026 Budget Presentation

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Budget Development

REVENUE ESTIMATES

- Michigan Department of Health and Human Services (MDHHS) along with Milliman its actuarial firm issued FY 26 changes to rate development however rate certification information was not available to produce revenue estimates. Key changes and unknown factors to FY 26 rates will include:
 - Certified Community Behavioral Health Clinic (CCBHC) Prospective Payment System (PPS-1) rates - Beginning 10.1.25, CCBHC will move to a fee-for-service arrangement with MDHHS for each daily visit provided. This funding will no longer flow through MSHN. As such, MDHHS will likely reduce MSHN's FY 26 capitation by about \$49 M to support CCBHC PPS-1 payments, which is approximately the amount used to support FY 25 services. The CCBHC supplemental revenue which is cost settled with the Community Mental Health Service Programs (CMHSPs), will also be removed from MSHN's revenue. This removal has a net effect of zero as the supplemental payments were merely pass throughs to the participating CMHSPs. Lastly, mid-year CCBHC rate adjustments could negatively impact the Region's revenue as the planned reduction in capitation is an estimate. On the other hand, there is also the potential for an increased overall budget surplus if the mid-year calculations show capitation needed to support CCBHC services were overstated.
 - Prepaid Inpatient Health Plan (PIHP) Entity Specific Factors - Each PIHP will have its own entity factor which should be favorable to MSHN's future rates. This will allow MDHHS to evaluate expense and enrollment changes specific to MSHN's region and assign revenue rates accordingly.
 - The one unknown relates to a potential mandated increase by MDHHS in Community Living Supports (CLS) provider reimbursement rates. CMHSPs budgeted their current reimbursement rates.
- PIHP Finance Staff used FY 25 projected revenue as the basis for FY 26. The calculations were adjusted to remove CCBHC revenue. In addition, FY 25 projected enrollment figures were used.
- Medicaid Savings Carryforward - The amended FY 25 rates will result in MSHN having a projected carryforward into FY 26 of more than \$9 M.
- 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 2026 Regional Operating Revenue

	FY2025 Amended Budget	FY2026 Original Budget	FY2026 Increase (Decrease) from Amended Budget	Notes
REVENUES				
Prior Year Savings	\$ -	\$ 9,887,364	\$ 9,887,364	
Medicaid Capitation SP/iSPA MH	465,706,129	427,560,111	(38,146,019)	Budget based on FY2025 capitation rates with adjustment for change in CCBHC process; FY2026 rates were not available at the time of budget development
Healthy Michigan Plan Capitation MH	58,672,261	50,962,404	(7,709,857)	
Medicaid Waivers (HSW, SED, CWP)	139,254,365	139,254,365	-	
Medicaid Capitation Autism	95,167,957	95,167,957	-	
Medicaid Capitation SP/iSPA SUD	17,586,680	17,586,680	-	
Healthy Michigan Plan Capitation SUD	29,290,509	29,290,509	-	
CCBHC Supplemental Payments	65,031,690	-	(65,031,690)	Budget based on change in CCBHC process
Medicaid Health Homes (Behavioral and SUD)	3,153,396	4,964,076	1,810,680	Budget based on projected health home enrollment (500 BHH enrollees and 600 SUDHH enrollees)
Community Grant and Other SUD Grants	14,965,902	13,226,194	(1,739,708)	Budget based on MDHHS allocations
PA2 Liquor Tax SUD	5,153,368	4,991,869	(161,499)	Budget based on OPB approved amounts
Hospital Rate Adjustor	41,200,000	42,230,000	1,030,000	Budget based on potential inpatient utilization increase
Performance Bonus Incentive Payment	6,553,972	5,735,896	(818,076)	Budget based on percentage of projected revenues
Medicaid DHS Incentive Payment	1,505,872	1,505,872	-	
Local Match Contribution	1,550,876	1,550,876	-	Budget based on FY2025 amount; FY2026 amount not available at time of budget development
Other Grants	639,542	374,568	(264,974)	Budget includes Veteran Navigator and Clubhouse Engagement
Interest Income	1,100,000	1,100,000	-	
TOTAL REVENUE BUDGET	\$ 946,532,519	\$ 845,388,740	\$ (101,143,779)	

MSHN PIHP Administrative Expenses

- ▶ FY 2026 MSHN administrative expenses are projected to decrease by \$88k from the FY 2025 Amended Budget. Administration expenses also include a 3% Market Based Adjustment for staff which is the last one from the FY 23 market analysis recommendation of 10%. The 10% adjustment was spread over three fiscal years.
- ▶ FY 2026 Overall administrative budget represents 1.36% of total expenses or a .12% increase from the FY 2025 Amended Budget. Historically, MSHN admin has remained less than 1.55% of total expenses for the original budgets.

FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY 25
1.18%	1.42%	1.52%	1.42%	1.47%	1.30%	1.20%	1.27%

- ▶ FY 26 Budget does not include any new positions.

Budget Development

PIHP ADMINISTRATIVE EXPENSES - continued

- ▶ Expense development includes:
 - ▶ 13% average increase for employee health insurance benefits - employer portion. To help offset the employee increases, MSHN offers a third zero cost plan.
 - ▶ 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 26).
 - ▶ Technology needs
 - ▶ **Limited** Conferences and training needs
 - ▶ Other **critical** items identified in staff interviews/meetings

	FY 25 Amended Budget	FY 26 Original Budget	FY 26 Increase (Decrease) from Amended Budget	
ADMINISTRATION CATEGORIES:				
Salaries and Wages	\$ 6,473,114	\$ 6,769,805	\$ 296,691	
Employee Benefits	2,239,443	2,302,712	63,269	
Other Contractual Agreements	714,900	570,900	(144,000)	Includes contract costs such as, but not limited to, IT and access support services
IT Subscriptions and Maintenance	1,386,450	1,083,450	(303,000)	Includes software costs such as, but not limited to, care coordination, data analytics, document sharing, managed care, Microsoft Office, parity
Consulting Services	106,000	130,000	24,000	
Conference and Training Expense	61,150	43,500	(17,650)	
Human Resources Fees	66,400	66,400	-	
Mileage Reimbursement	46,400	43,500	(2,900)	
Other Expenses	140,610	140,000	(610)	
Building Rent Amortization	40,186	40,186	-	
Telephone Expense	152,350	144,800	(7,550)	
Office Supplies	23,930	14,000	(9,930)	
Printing Expense	28,000	35,000	7,000	
Meeting Expense	26,300	18,250	(8,050)	
Liability Insurance	32,370	30,000	(2,370)	
Audit Services	35,000	40,000	5,000	
OPB and Council Per Diems	13,090	20,820	7,730	
Dues and Memberships	8,603	12,280	3,677	
Legal Services	8,000	8,000	-	
Internet Services	3,550	3,550	-	
Subtotal Administration	\$ 11,605,846	\$ 11,517,153	\$ (88,693)	
Percent Administration Expenses to Total Expenses	1.24%	1.36%		

Budget Development

EXPENSE FIGURES

- ▶ Community Mental Health Services Programs (CMHSPs) - Expense numbers submitted by eight of twelve CMHSPs exceed projected revenue. MSHN's region still reports the following cost drivers:
 - ▶ Significant Utilization Increases [Inpatient, Autism, Community Living Supports (CLS)]
 - ▶ Increased Provider Network Reimbursement Rates
 - ▶ Staff Retention/Staff Attraction
- ▶ Substance Abuse Prevention and Treatment (SAPT) providers - Expense amounts are based on prior year utilization trended or negotiated contract/cost reimbursement funding levels. While MSHN's SAPT service line is experiencing some of the same concerns noted above for CMHSPs, SAPT revenue is sufficient to cover projected expenses. MSHN is not offering an increase in Fee-For-Service rates as those reimbursements were increased by 10% in FY 24 and are competitive when compared to other PIHPs.

Budget Development

EXPENSE FIGURES

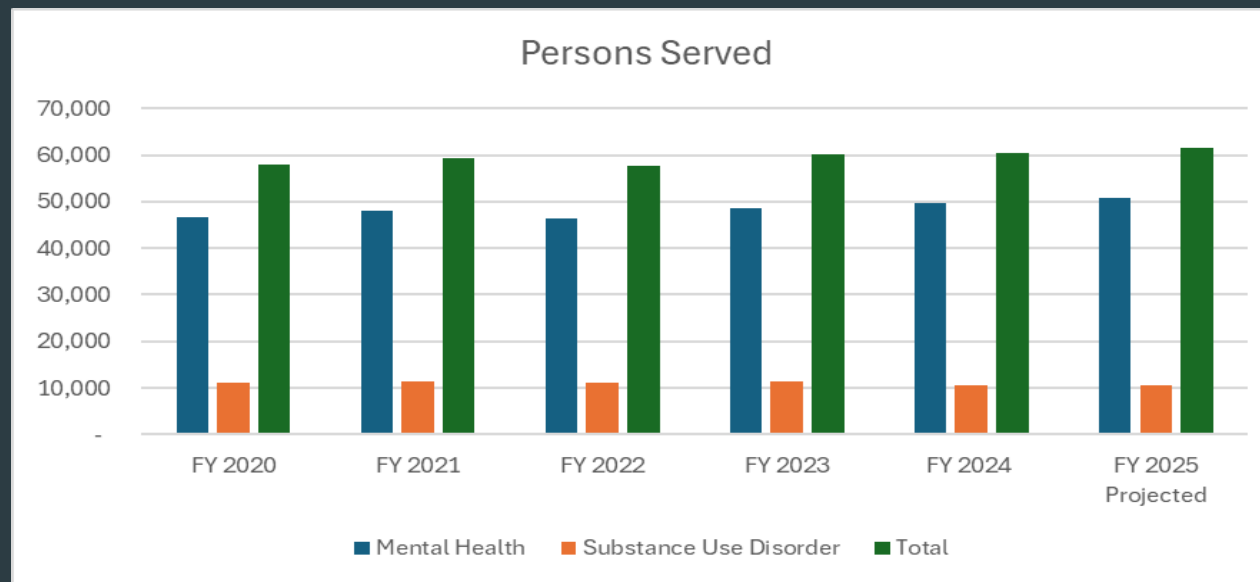
- Community Mental Health Services Programs (CMHSPs)
- Substance Abuse Prevention and Treatment (SAPT) providers

	FY 25 Amended Budget	FY 26 Original Budget	FY 26 Increase (Decrease) from Amended Budget	
CMHSP and SUD EXPENSES and TAXES:				
CMHSP Participant Medicaid	624,734,609	\$ 560,272,199	\$ (64,462,410)	Budget based on CMHSP FY2026 budgeted expenses with adjustment for change in CCBHC process
CMHSP Participant Healthy Michigan Plan	83,313,154	60,621,049	(22,692,105)	
CMHSP Participant Autism	94,918,772	86,573,965	(8,344,807)	
CMHSP Participant Other	6,599,223	6,790,972	191,749	Budget includes Performance Bonus Incentive Payments and Clubhouse Engagement grant
SUD Medicaid Contracts	15,200,000	16,200,000	1,000,000	
SUD Healthy Michigan Plan Contracts	29,000,000	30,000,000	1,000,000	
Medicaid Health Homes (Behavioral and Opioid)	2,522,712	4,233,696	1,710,984	Budget based on projected health home enrollment (500 BHH enrollees and 600 SUDHH enrollees)
Community Grant and Other SUD Grants	13,902,513	12,123,938	(1,778,575)	Budget based on MDHHS allocations
SUD PA2 Liquor Tax	5,153,368	4,991,869	(161,499)	Budget based on OPB approved amounts
Local Match Contribution	1,550,876	1,550,876	-	Budget based on FY2025 amount; FY2026 amount not available at time of budget development
Hospital Rate Adjustor	41,200,000	42,230,000	1,030,000	Budget based on potential inpatient utilization increase
Insurance Provider Assessment	6,944,082	6,944,082	-	Budget adjusted based on annual assessment
Subtotal CMHSP and SUD Expenses and Taxes	\$ 925,039,309	\$ 832,532,646	\$ (92,506,663)	

Additional Expense Information

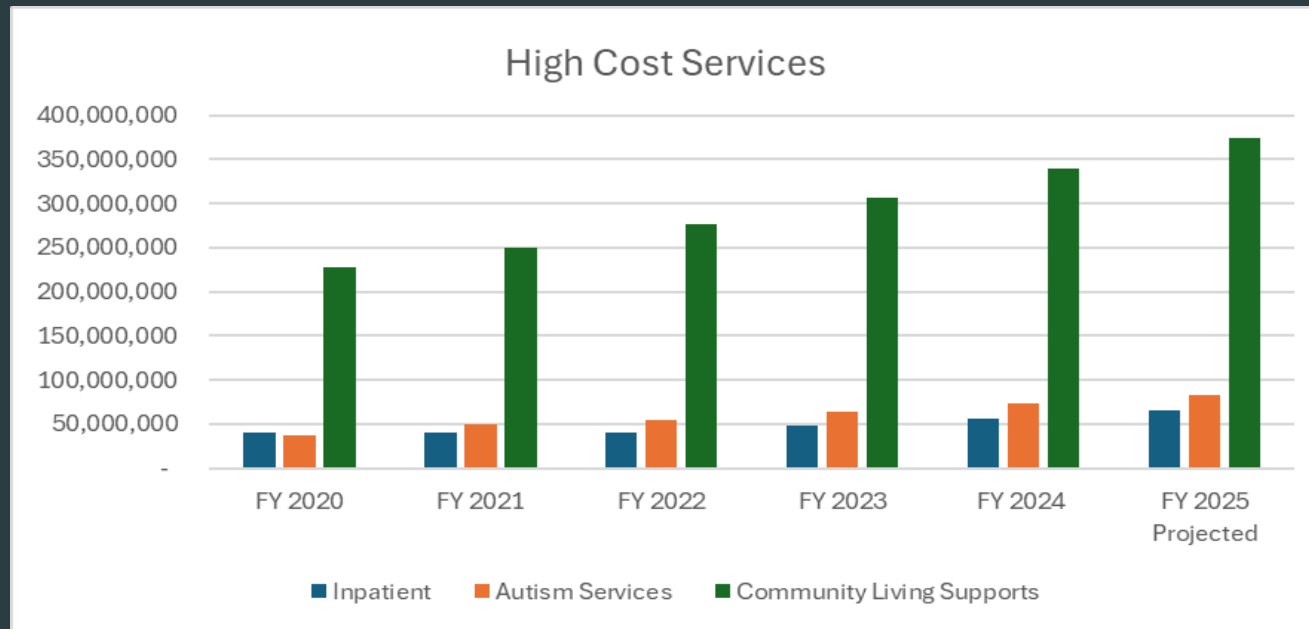
- MSHN's region is experiencing increases in the total number of individuals served as well as significant utilization increases in high-cost services. These trends are illustrated in the next two graphs:

PERSONS SERVED	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Projected
Mental Health	46,751	47,989	46,390	48,690	49,780	50,894
Substance Use Disorder	11,190	11,249	11,138	11,409	10,506	10,506
Total	57,941	59,238	57,528	60,099	60,286	61,400



Additional Expense Information cont.

EXPENSE	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Projected
Inpatient	39,631,670	40,102,531	40,232,742	48,853,033	56,255,550	64,779,743
Autism Services	37,462,314	49,981,953	54,443,032	64,329,996	73,276,505	83,467,224
Community Living Supports	227,421,723	250,395,362	276,930,807	306,801,199	338,890,255	374,335,581
Total	304,515,707	340,479,846	371,606,581	419,984,228	468,422,310	522,582,547



FY 2026 Regional Budget Summary

Revenue		
Category	Amount	% of Total
Behavioral Health	\$ 776,111,242	91.81%
SAPT	\$ 67,802,930	8.02%
Other	<u>\$ 1,474,568</u>	0.17%
Total	\$ 845,388,740	100.00%

Expense		
Category	Amount	% of Total
Behavioral Health	\$ 717,733,468	85.03%
SAPT	\$ 65,625,096	7.78%
Taxes	\$ 49,174,082	5.83%
Admin	<u>\$ 11,517,153</u>	1.36%
Total	\$ 844,049,799	100.00%

FY 26 Rev over Exp is \$1,338,942; FY 25's Internal Service Fund (ISF) Beginning Balance equals \$35,570,054. Pending final FY 26 rates and other factors previously mentioned in this presentation, a portion of the ISF may be used to cover expenses exceeding total revenue.