



Fiscal Year (FY) 2027 Budget Presentation

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State of Michigan Overview Budget Implications

- ▶ Healthy Michigan **10% decrease \$45 M**
- ▶ Medicaid MH **7.6% increase - \$241m**
- ▶ Medicaid SUD **9.9% decrease - \$9 M**
- ▶ Other:
 - ▶ Health Homes - decrease
 - ▶ Block Grants - decrease
 - ▶ Autism - Increase
 - ▶ CCBHC - Steady

	Healthy Michigan	Medicaid MH	Medicaid SUD
FY26	438,267,500.00	3,188,847,900.00	96,323,300.00
FY27	392,882,000.00	3,429,794,900.00	86,779,200.00
	(45,385,500.00)	240,947,000.00	(9,544,100.00)
	-10.4%	7.6%	-9.9%

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MSHN Budget Development

REVENUE ESTIMATES

- Michigan Department of Health and Human Services (MDHHS) had not issued final FY 27 rates which resulted in PIHP generated revenue estimates. Key assumptions made by the PIHP include:
 - Medicaid and Healthy Michigan Program Enrollee (Eligible) adjustments based on the most recent nine months of FY 26 averaged and projected for the full FY 27 revenue.
 - In addition to the item above, HMP revenue was decreased by an additional 5% to account for HR1 work requirement changes.
- Medicaid Savings Carryforward - The amended FY 26 fiscal activity will result in MSHN having a projected carryforward into FY 27 of more than \$40 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.

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Budget Development

EXPENSE FIGURES

- Community Mental Health Services Programs (CMHSPs) - Seven CMHSPs submitted projected FY 27 expenses and FY 26 actual expense estimates were used for the remaining five. 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. Based on PIHP revenue estimate, SAPT revenue is slightly less than expense by about \$1M. Although MSHN is not offering an increase in Fee-For-Service rates, the PIHP will evaluate MDHHS rate information and make rate adjustments as needed. PLEASE NOTE:
 - SAPT Fee-for-Service rates were increased by 2.5% in May 2026.
 - MSHN reimbursement rates remain competitive and are higher in many cases when compared to other PIHPs.
 - Considering a 3% increase in SUD rates - concern it will cause a block grant waitlist

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FY 2027 Regional Budget Summary

CATEGORY	SAPT REVENUE		SAPT EXPENSE		SURPLUS/DEFICIT
Medicaid	17,321,937	26.03%	16,200,000	24.13%	1,121,937
Healthy Michigan Plan	27,607,416	41.48%	31,000,000	46.18%	(3,392,584)
Community Grant and Other SUD Grants	13,058,194	19.62%	11,908,825	17.74%	1,149,369
PA2 Liquor Tax SUD	4,544,741	6.83%	4,544,741	6.77%	-
SUD Health Home	4,022,539	6.04%	3,470,029	5.17%	552,510
Total	66,554,827	100.00%	67,123,595	100.00%	(568,768)

FY 27 Rev over Exp is \$61,749,836; FY 26's Internal Service Fund (ISF) Ending Balance equals \$54,825,761. ISF may be used if final FY 27 rates and other factors previously mentioned in this presentation change MSHN's positive fiscal position.

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FY 2026 to FY 2027 FISCAL COMPARISON

REVENUE COMPARISON			
Category	FY 26	FY 27	FY 27 Inc/(Decr)
Medicaid	17,586,680	17,321,937	(264,743)
HMP	29,290,509	27,607,416	(1,683,093)
BG	13,226,194	13,058,194	(168,000)
PA2	4,991,869	4,544,741	(447,128)
SUD Health Home	-	4,022,539	4,022,539
Total	65,095,252	66,554,827	1,459,575

EXPENSE COMPARISON			
Category	FY 26	FY 27	FY 27 Inc/(Decr)
Medicaid	16,200,000	16,200,000	-
HMP	30,000,000	31,000,000	1,000,000
BG	12,123,938	11,908,825	(215,113)
PA2	4,991,869	4,544,741	(447,128)
SUD Health Home	-	3,470,029	3,470,029
Total	63,315,807	67,123,595	3,807,788

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Other Considerations

Scenario Planning for H.R. 1

- ▶ 2.5% cut in Medicaid Capitation - \$18.5 M reduction (cover with current surplus of \$61 M)
- ▶ 5% cut in Medicaid - \$37 M reduction (cover with current surplus of \$61m)
- ▶ 5% cut in Medicaid & 10% cut in Healthy Michigan
 - ▶ \$37 M Medicaid reduction
 - ▶ \$4 M Health Michigan reduction (5% reduction already included in budget)
- ▶ Above scenarios reduce surplus but does not deplete savings, \$20 M available for savings or contribution to the ISF.
- ▶ Internal service fund - \$54.8 M

What if revenue estimates are not actualized?

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Other Considerations & Planning

- ▶ FY 27 Budget provides time to analyze the impact of H.R.1 while Regional Planning to address H.R.1
- ▶ Prepare/expand supports for beneficiaries in maintaining coverage
 - ▶ Many CMHs have a dedicated staff imbedded in or coordinated with MDHHS Medicaid benefit eligibility programs to ensure renewal information is provided to sustain Medicaid/HMP. This will expand to ensure coordination of work requirement paperwork, exemptions and 6-month renewal determinations.
- ▶ Implement administrative cost reduction strategies
 - ▶ Reviewing regional administrative operations for consolidation and/or reduction.
 - Information technology (E.H.R., data analytics), Human Resources (PEO), Use of AI for automation, Contract & Compliance Software, Reduction in physical lease expense & related office support (PIHP), Training platforms
- ▶ Develop alternative/lower cost services
 - ▶ Increase access to children's residential crisis - develop new provider in region (reduce inpatient cost)
 - ▶ Increase intensive outpatient utilization, intensive care coordination and wraparound
- ▶ Assess increased demand for emergency services (due to loss of coverage) and impact on community and safety net.
 - ▶ Work with local community to address safety net
- ▶ Review Healthy Michigan Benefit Plan
 - ▶ Financial impact FY 27 Q3 & Q4

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Other Considerations & Planning

- ▶ Review Grant Opportunities:
 - ▶ MSHN as the fiduciary for the region, submitted grant applications under the Rural Health Transformation Grant for Retention, Recruitment, and Licensure - Total of \$2 M
 - ▶ MSHN received notice of Licensure award - \$1 M
 - ▶ Review new SAMHSA grants available under for Substance Use Disorder to ensure continue access for the uninsured
- ▶ MSHN will present a revised budget in November to the Board with updated FY27 rates.

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FISCAL YEAR 2027 AMENDED BUDGET

- ▶ Final FY 27 Rates were received by MDHHS September 30, 2026
- ▶ The regional revenue over expenses in total is now \$88 M which is driven from Medicaid funding and is an increase of more than \$27 M originally presented to the full board
- ▶ SAPT - Implementing a 3% reimbursement increase would cause MSHN to exceed its revenue however there is sufficient regional savings to cover Medicaid and HMP cost overruns. BG spending will exceed the allocation and the options for funding coverage:
 - ▶ PA2 funding
 - ▶ CMHSP local funding
 - ▶ MSHN's intent is to move forward with the rate increase 1.1.27 pending the outcome of identifying available funding to support BG expenses

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