

Community Mental Health Association of Michigan
Concerns Regarding MDHHS PIHP Contract Procurement Proposal
June 2025

Background

As you know, MDHHS recently issued a [press release](#) and posted on its [Specialty Behavioral Services webpage](#) information regarding the proposed PIHP procurement process. These documents underscore the fact that this procurement plan would **privatize not only the state’s behavioral health management care organizations but the roles currently played by the state’s CMHSPs.**

Misconceptions regarding this plan

1. This plan will improve the lives of the Michiganders who receive mental health, substance use disorder, and intellectual and developmental disability services.
2. This plan is part of the state’s approach to dealing with the potential federal Medicaid cuts.
3. This plan is not so bad. It simply changes the payer of the CMHs from a public PIHP to a private health plan.
4. The design and implementation mechanics of this procurement plan are so complicated that it will not go forward.
5. The politics in Michigan are lined up to push this plan through. Nothing that we do can stop it.
6. CMS is requiring that MDHHS not have sole source contracts with the state’s PIHPs.
7. This plan is not a plan to privatize Michigan’s public mental health system.

Concerns

While CMHA, its members, and allies strongly support efforts to improve the quality, access, and accountability of behavioral health services in Michigan, the proposed changes represent a fundamental and alarming departure from the state’s longstanding and effective public mental health structure.

This plan:

- 1. Severely jeopardizes the care that hundreds of thousands of Michiganders depend upon by resulting in an immediate \$500 million cut in funds available to provide mental health care** – the result of the administrative overhead of private plans health plans, at 15%, compared with the 2% overhead of the state’s PIHPs.
- 2. Destroys the longstanding (60 year) partnership between the State of Michigan and the local Community Mental Health and publicly managed Substance Use Disorder system** – the **bedrock of the innovative and collaborative work** that has made Michigan’s public mental health system one of the best in the country.
- 3. Destroys the community partnerships** that the state’s CMHs have with local law enforcement, schools, courts, homeless services providers.
- 4. Fails to address the root causes of existing access issues**—namely, workforce shortages, underfunding, and administrative burdens.

5. Prioritizes bids from private non-profit health plans/health insurance companies. Some of Michigan's largest private health plans/health insurance companies are private non-profit organizations: Blue Cross/Blue Shield, Priority Health, McLaren Health Plan, and HAP.

6. Prohibits the current public PIHPs from bidding on this opportunity.

From preliminary RFP requirements "Contractors must establish and maintain governance for the payor entity that is fully independent of and distinct from any providers with which they contract for Medicaid-covered services, as well as from any owners holding direct or indirect interests in those providers."

7. Prohibits CMHSPs from carrying out longstanding roles in managing care: The CMHSPs have been managing their local provider networks including: provider network development, paying claims, authorizing care, carrying out utilization management, credentialing staff, and related functions for over 60 years.

From preliminary RFP requirements: "Contractors may not delegate managed care functions to contracted provider entities"

8. Destroys the statutorily defined role of the CMHs, relegating them to being one of a number of fee-for-service providers in the new managed care organization's network.

As a result, this plan undermines Michigan's legal and constitutional obligations under the Mental Health Code to promote and maintain a robust CMHSP system. CMHSPs are the only entities explicitly designated to assume responsibility for mental health services when the state shifts its role. The code mandates both structural and funding responsibilities that the current proposal appears to ignore or override.

9. Eliminates transparency currently guaranteed by law. Current public entities are subject to the Michigan Open Meetings Act and Freedom of Information Act, ensuring a high degree of transparency. **Private health plans are not bound by these requirements, leaving critical decisions about public funds and services outside the public eye**

10. Introduces multiple layers of complexity making the system more complex and administratively burdensome. It allows multiple private plans per region, creating inconsistent rules, standards, and rates; while moving the financing of the CMHA system back to a fee-for-services system.

11. Mirrors failed models from other states, (Studies conducted in [2016a](#), [2016b](#), [2022](#) where privatization led to service fragmentation, reduced access, and diminished provider networks.

12. Represents the privatization approach to public mental health care to which that Michiganders have voiced strong opposition. A study of Michiganders, conducted by [EPIC-MRA](#), found strong public opposition to such privatization.

13. Violates the Headlee Amendment to the Michigan Constitution by dramatically reducing the state funding for a mandated county function.