



# Fiscal Year (FY) 2025 Budget Presentation

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# 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 June 2024. Key elements not included in the draft rates that could have multi-million dollar impacts on the estimates:
  - Certified Community Behavioral Health Center (CCBHC) Prospective Payment System (PPS-1) rates - a portion of the rates are covered with capitation and this amount is unknown. For budget purposes, the estimates included the FY 24 ratios.
  - Direct Care Worker (DCW) rate increases - a \$0.20 per hour increase is included in the State's budget appropriations but this revenue was not reflected in the draft rates.
  - PIHP Entity Specific Factors - These are generally between .97 and 1.3 and are comprised of a risk and area (transportation, inpatient, DCW, CCBHC) factor. Numbers under 1.0 means capitation rates are slightly less than those noted in the certification letter and vice versa . In FY 24, MSHN's Mental Health and Autism factors were above 1.0 and less than 1.0 for Substance Use funding. MSHN used FY 24 entity factors for FY 25's budget.
- PIHP Finance Staff used details from the draft letter above and incorporated reduced enrollment numbers for the revenue projections.
- Medicaid Savings Carryforward - MSHN does not project any savings as FY 24 expenses exceed revenue for the period.
- 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 2025 Regional Operating Revenue

CATEGORIES	AMOUNTS	DESCRIPTIONS
Prior Year Savings	\$ -	
Medicaid Capitation SP/iSPA MH	453,745,946	Budget based on FY2025 draft capitation rates
Healthy Michigan Plan Capitation MH	54,913,151	
Medicaid Waivers (HSW, SED, CWP)	132,323,679	
Medicaid Capitation Autism	71,076,093	
Medicaid Capitation SP/iSPA SUD	17,824,520	
Healthy Michigan Plan Capitation SUD	29,873,187	
CCBHC Supplemental Payments	87,161,564	Budget includes supplemental funding for CCBHC demonstration sites
Medicaid Health Homes (Behavioral and SUD)	5,111,655	Budget based on projected health home enrollment (625 BHH enrollees and 500 SUDHH enrollees)
Community Grant and Other SUD Grants	13,268,684	Budget based on DHHS allocations; discontinuation of COVID grant and reduction of SOR grant
PA2 Liquor Tax SUD	4,864,052	Budget based on OPB approved amounts
Hospital Rate Adjustor	44,346,616	Budget based on potential inpatient utilization increase
Performance Bonus Incentive Payment	6,390,223	Budget based on percentage of projected revenues
Medicaid DHS Incentive Payment	1,757,910	
Local Match Contribution	1,550,876	Budget based on FY2024 amount; FY2025 amount not available at time of budget development
Other Grants	280,000	Budget includes Veteran Navigator and Clubhouse Engagement
Interest Income	2,500,000	
<b>TOTAL REVENUE BUDGET</b>	<b>\$ 926,988,156</b>	

# MSHN PIHP Administrative Expenses

- ▶ FY 2025 MSHN administrative expenses are projected to increase \$2.27 Million from the FY 2024 Amended Budget - please see rationale below. In addition, a 3% Market Based Adjustment for staff is included, which is a carryover from the FY 23 market analysis of 10% recommendation. The 10% adjustment is being spread over three fiscal years.
  - ▶ FY 2025 Overall administrative budget represents 1.27% of total expenses or a .21% increase from FY 2024 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
1.18%	1.42%	1.52%	1.42%	1.47%	1.30%	1.20%

- ▶ FY 25 Budget includes 10 vacant positions needed to meet MDHHS administrative requirements - four (4) unfilled positions from FY 24's budget are included in the 10 vacant ones:
  - ▶ Two (2) New Integrated Health positions to CCBHC, Opioid Health Home (OHH), and Behavioral Health Home (BHH) initiatives.
    - ▶ Integrated Care Coordinator, Integrated Care Administrator
  - ▶ Three (3) Access Department Staff - MSHN is bringing access responsibilities in house for high-cost services (Substance Use Disorder (SUD) Residential, Withdrawal Management, Recovery Housing). The addition of these staff is expected to play an integral role in MSHN saving the region more than \$1 Million on SUD expenditures.
  - ▶ Remaining (5) positions will support the following functions and initiatives:
    - ▶ Treatment Specialist: Substance Use Disorder (SUD) Treatment Operations - previously approved as a Lead Treatment Specialist
    - ▶ SUD Coordinator - Diversity Equity Inclusion efforts - New
    - ▶ Financial Specialist: Support OHH, BHH, and CCBHC reporting - previously approved
    - ▶ Information Technology Project Manager - Support new data analysis functions
    - ▶ Compliance and Quality Specialist - Support Compliance and Quality expanding functions

# Budget Development

## PIHP ADMINISTRATIVE EXPENSES - continued

- ▶ Expense development includes:
  - ▶ .2% increase for employee benefits employer portion. Employee portions are still relatively low. In addition, MSHN offers a third zero cost plan to employees
  - ▶ 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 25)
  - ▶ Consultation needs derived from Strategic Plan initiatives and MDHHS Contract requirements
  - ▶ Technology needs
  - ▶ Conferences and training needs
  - ▶ Other items identified in staff interviews/meetings

CATEGORIES	AMOUNTS	DESCRIPTIONS
Salaries and Wages	\$ 6,786,808	Includes additional staff related to increased PIHP responsibilities
Employee Benefits	2,394,825	Additional staff
Other Contractual Agreements	679,700	Includes contract costs such as, but not limited to, IT and finance support services
IT Subscriptions and Maintenance	1,076,330	Includes software costs such as, but not limited to, care coordination, data analytics, document sharing, managed care, Microsoft Office, parity
Consulting Services	223,800	
Conference and Training Expense	128,850	Additional staff, in-person conferences
Human Resources Fees	74,350	Additional staff
Mileage Reimbursement	73,400	Increase in in-person activities
Other Expenses	232,700	Additional staff
Building Rent Amortization	40,186	
Telephone Expense	148,950	Additional staff
Office Supplies	36,700	
Printing Expense	75,000	
Meeting Expense	28,250	
Liability Insurance	34,590	
Audit Services	41,000	
OPB and Council Per Diems	20,820	
Dues and Memberships	11,793	
Legal Services	10,000	
Equipment Rent	-	
Internet Services	3,500	
<b>Subtotal Administration</b>	<b>\$ 12,121,552</b>	
Percent Administration Expenses to Total Expenses	1.27%	

# Budget Development

## EXPENSE FIGURES

- ▶ Community Mental Health Services Programs (CMHSPs) - Expense numbers submitted by Seven of Twelve CMHSPs exceed projected revenue. MSHN encouraged CMHSPs to report expenses needed to address ongoing issues in the following areas:
  - ▶ Significant Utilization Increases (Inpatient, Autism, Community Living Supports [CLS])
  - ▶ Increased 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 increase by 10% for the last two fiscal years.

# Budget Development

## EXPENSE FIGURES

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

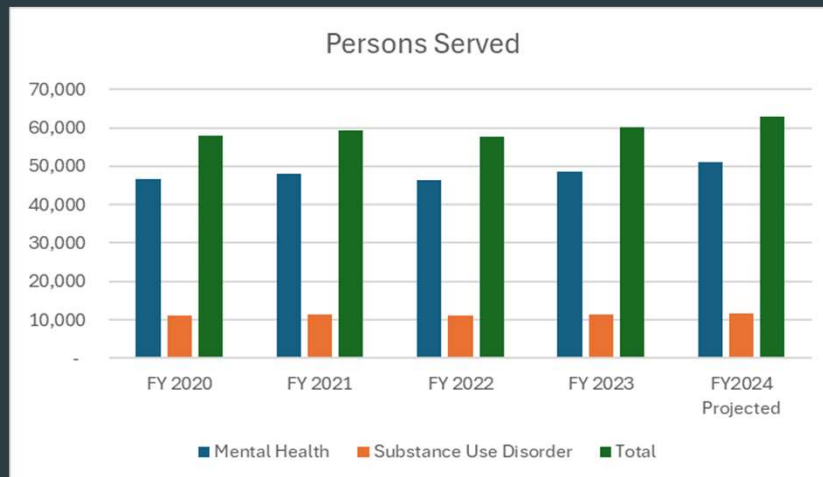
**Please Note:** It is unreasonable to assume expected deficits can be extinguished within one fiscal year without causing irreparable harm to consumers. While we are projecting another deficit for FY 25, it is crucial that the board approve the FY 25 budget as to not disrupt beneficiary services and supports.

CATEGORIES	AMOUNTS	DESCRIPTIONS
CMHSP Participant Medicaid, including CCBHC	\$ 650,170,473	Budget based on CMHSP FY2025 budgeted expenses
CMHSP Participant Healthy Michigan Plan, including CCBHC	84,813,618	
CMHSP Participant Autism	80,400,874	
CMHSP Participant Other	6,308,628	Budget includes Performance Bonus Incentive Payments and Clubhouse Engagement grant
SUD Medicaid Contracts	17,300,000	Anticipated cost containment through centralized SUD access for select services
SUD Healthy Michigan Plan Contracts	31,200,000	
Medicaid Health Homes (Behavioral and Opioid)	4,089,330	Budget based on projected health home enrollment (625 BHH enrollees and 500 SUDHH enrollees)
Community Grant and Other SUD Grants	12,205,295	Budget based on DHHS allocations; discontinuation of COVID grant and reduction of SOR grant
SUD PA2 Liquor Tax	4,864,052	Budget based on OPB approved amounts
Local Match Contribution	1,550,876	Budget based on FY2024 amount; FY2025 amount not available at time of budget development
Hospital Rate Adjustor	44,346,616	Budget based on potential inpatient utilization increase
Insurance Provider Assessment	6,944,082	Budget adjusted based on annual assessment
<b>Subtotal CMHSP and SUD Expenses and Taxes</b>	<b>\$ 944,193,845</b>	
<b>TOTAL EXPENDITURE BUDGET</b>	<b>\$ 956,315,397</b>	
<b>Revenue Over/(Under) Expenditures</b>	<b>\$ (29,327,241)</b>	

# Additional Expense Information

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

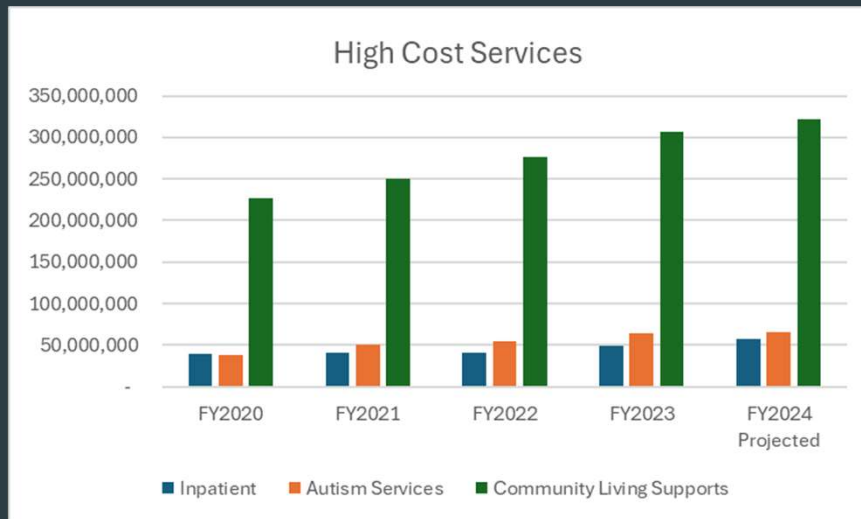
PERSONS SERVED	FY 2020	FY 2021	FY 2022	FY 2023	FY2024 Projected
Mental Health	46,751	47,989	46,390	48,690	51,104
Substance Use Disorder	11,190	11,249	11,138	11,409	11,687
Total	57,941	59,238	57,528	60,099	62,791





# Additional Expense Information cont.

EXPENSE	FY2020	FY2021	FY2022	FY2023	FY2024 Projected
Inpatient	39,631,670	40,102,531	40,232,742	48,853,033	56,660,931
Autism Services	37,462,314	49,981,953	54,443,032	64,329,996	65,788,644
Community Living Supports	<u>227,421,723</u>	<u>250,395,362</u>	<u>276,930,807</u>	<u>306,801,199</u>	<u>321,226,044</u>
Total	304,515,707	340,479,846	371,606,581	419,984,228	443,675,619



# FY 2025 Regional Budget Summary

Revenue		
Category	Amount	% of Total
Behavioral Health	\$ 856,105,867	92.35%
SAPT	\$ 68,102,289	7.35%
Other	\$ 2,780,000	0.30%
<b>Total</b>	<b>\$ 926,988,156</b>	<b>100.00%</b>

Expense		
Category	Amount	% of Total
Behavioral Health	\$ 825,516,320	86.32%
SAPT	\$ 67,386,827	7.05%
Taxes	\$ 51,290,698	5.36%
Admin	\$ 12,121,552	1.27%
<b>Total</b>	<b>\$ 956,315,397</b>	<b>100.00%</b>

FY 25 Rev under Exp (\$29,327,241) - \$0 savings; FY 25 Internal Service Fund (ISF) Beginning Balance \$28,565,921 - FY 25 ISF Ending Balance will be exhausted if there is no significant improvement in the Region's revenue standing.