

June 28, 2019

SUMMARY OF MDHHS PROPOSAL: MDHHS intends to carry out the following plan:

- To terminate the state's contract with the Lakeshore Regional Entity (LRE). Lakeshore is the public managed care plan (a Prepaid Inpatient Health Plan (PIHP) in federal terms) that manages the Medicaid behavioral health benefit for the counties on the west side of the state.
- To contract directly with Beacon Health Options, a private managed care company currently managing the Medicaid behavioral health benefit in a partnership with Lakeshore.
- To eliminate the Lakeshore Board of Directors and replace it with an advisory board formed by the state.
- To have the state hold the contract, directly with Beacon, for FY 2020, with another of the state's public managed care plans or a private behavioral healthcare plan taking on this managed care role, from the state, for FY 2021

MDHHS staff, in a discussion earlier today, outlined three aims that they hope to accomplish with this proposal:

- Greater involvement, by the state, in the management of the Medicaid benefit in the Lakeshore region
- Changing the make-up of the Lakeshore Board of Directors
- Re-examining the role of Lakeshore staff in their partnership with Beacon, in the management of Medicaid behavioral healthcare benefit

CRITIQUE OF MDHHS PROPOSAL:

1. This proposal, by MDHHS, causes a great deal of unnecessary chaos and conflict when far simpler, more rapid, and more concrete options for achieving these aims are available. This wiser path is outlined later in this document.
2. This proposal eliminates local public governance of the public behavioral health system – one of the foundations of Michigan's nationally recognized behavioral health system for the past 50 years – and replaces it with a state-appointed advisory group.
3. The contention that management weakness is the cause of the fiscal distress of Lakeshore is simply untrue, as underscored by the facts.
4. The fiscal distress that Lakeshore has experienced for the last several years (and those of a number of other Michigan public managed care plans (PIHPs)) is the result of the systemic underfunding of those PIHPs. As underscored by a recent analysis carried out by the Community Mental Health Association of Michigan, those PIHPs, like Lakeshore, facing the direst fiscal crises, received, over the past four years, either a revenue cut or only a modest increase even when the Healthy Michigan Plan enrollment was growing.

In the case of Lakeshore, if Lakeshore had received the same level of rate increases as those PIHPs not suffering such fiscal distress, Lakeshore's revenues, in FY 2018 would have been \$49 million greater than Lakeshore received in FY 2018. This level of revenues would have prevented the fiscal distress faced by Lakeshore. Such appropriate revenue increases would have prevented the fiscal distress experienced by the other PIHPs as well.

It is key to recognize that the revenue increases received by the appropriately funded PIHPs are not the problem. The revenue increases to the state's PIHPs, even those that are appropriately funded, in fact were very small, given the dramatic growth in the HMP population over this period. The problem lies in the lack of revenue increases provided to the system as a whole and especially acute for those with the lowest revenue gains over the past four years.

This proposal does not get to the root cause of the fiscal distress of Lakeshore nor of the other public health plans facing such distress – inadequate funding over a sustained period. Without adequate funding, as required by the Michigan Mental Health Code and Michigan's Medicaid Plan, the Lakeshore system and others who have been underfunded – regardless of the greater involvement of the state in the operation of the local public system will be unable to pay providers and provide behavioral healthcare services to persons entitled to such services.

For the state to propose the termination of its contract with Lakeshore, eliminating the local publicly governed managed care body for the region's public mental health system - as a result the state's underfunding of that regional entity is fiscally, ethically, and politically ironic – an irony not lost on the stakeholders to this system.

WISER PATH: All three of these aims can be achieved sooner, simpler, and more directly without eliminating the local public control of the public behavioral healthcare system in this region. This wiser path would include:

- MDHHS joining Lakeshore and Beacon in co-managing the benefit. This could be accomplished via a three-way contract.
- Require, via this three-party partnership, changes in the make-up of the Lakeshore Board of Directors
- Require, via this three-party partnership, changes in the role of Lakeshore staff in their partnership with Beacon

The benefits of this approach, over that proposed by MDHHS, are profound and include:

- Achieves all three aims of MDHHS
- Maintains the momentum achieved by Lakeshore, Beacon, and the CMHs in the Lakeshore region (This momentum has already improved the financial condition of the region's Medicaid system)

- Maintains the local public governance of the public behavioral health system – one of the foundations of Michigan’s nationally recognized behavioral health system for the past 50 years
- Prevents the unnecessary chaos that the MDHHS proposal would create