LAKESHORE REGIONAL ENTITY

Board of Directors Work Session Agenda
June 25, 2025, 11:00 AM
GVSU Muskegon Innovation Hub
200 Viridian Dr, Muskegon, MI 49440

1. Welcome and Opening Comments – Mr. Bacon
2. Public Comment
3. Advocacy Discussion – Alan Bolter, CMHAM
   Attachments:
   i. MDHHS Anticipated RFP Requirements
   ii. MDHHS PIHP Regions Map
   iii. CMHAM PIHP Procurement Advocacy
   iv. CMHAM Talking Points Infographic
   v. Opposition Letter

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Anticipated contract requirements for PIHP procurement

As part of the Department's commitment to transparency and effective planning, we are releasing the anticipated contractor requirements that will guide contractor eligibility and evaluation for the upcoming RFP. Sharing these criteria in advance is intended to support prospective bidders in understanding the foundational requirements for participation, as well as the key priorities that will inform the Department's selection process. This early visibility is critical to ensuring thoughtful preparation, alignment with program goals, and strong, regionally coordinated proposals ahead of the formal RFP release.

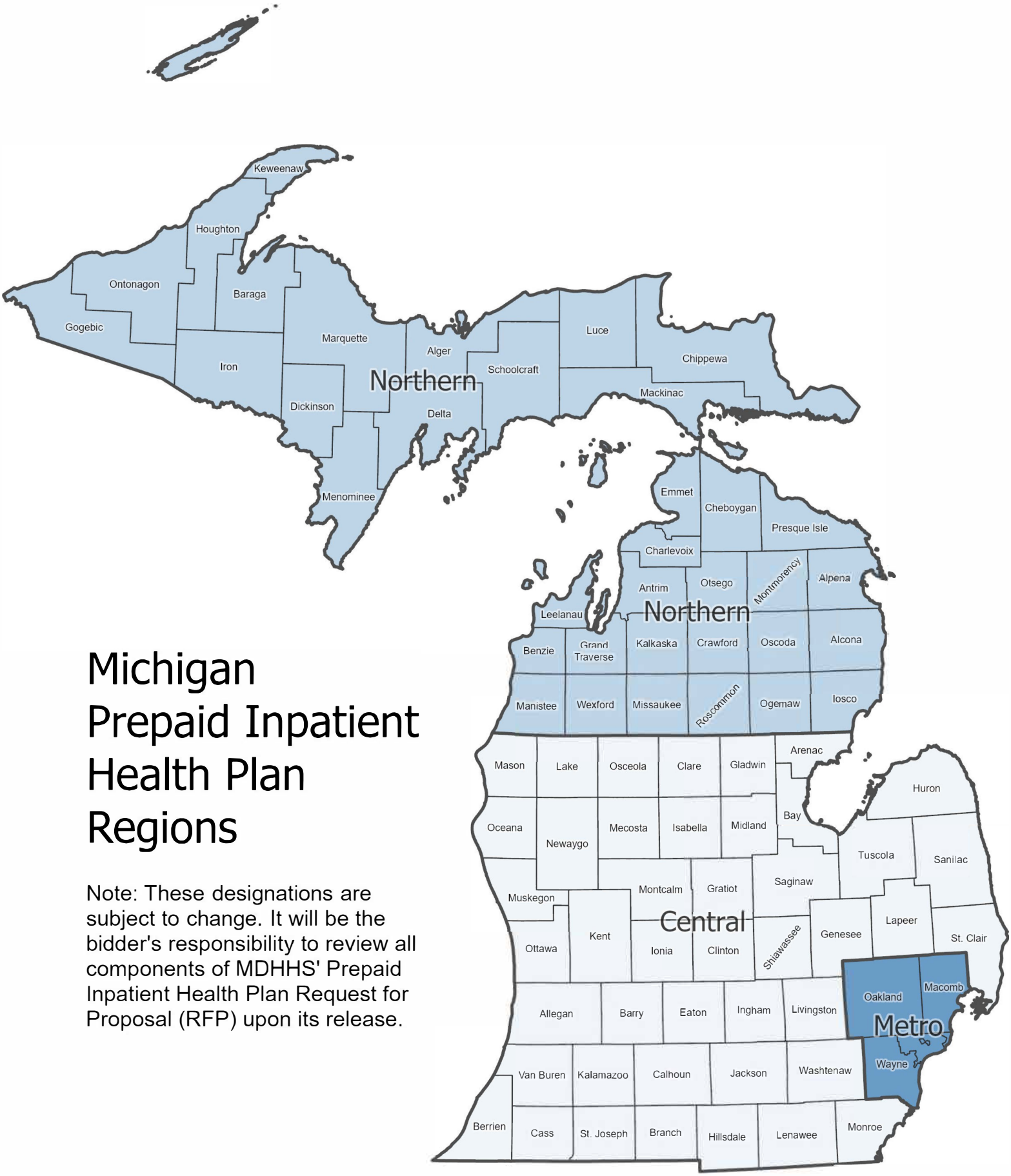
Please note that the requirements criteria included here reflect key priorities but do not represent the full set of evaluation criteria that will be included in the final RFP. Additional details and requirements will be released with the formal RFP.

1. **Operate exclusively as a payor entity, fully independent from providers. Including**:
    - Contractors are expected to provide managed care functions to enrollees. Managed care functions include, but are not limited to, eligibility and coverage verification, utilization management, network development, contracted network provider training, claims processing, activities to improve health care quality, and fraud prevention activities. Contractors may not directly provide or deliver health care services beyond these managed care functions;
    - Contractors may not delegate managed care functions to contracted provider entities;
    - 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. This governance responsibility includes, but is not limited to, overseeing daily operations, implementing quality protocols, and managing consumer complaints, in accordance with the conflict-of-interest safeguards and ownership disclosure requirements under 42 CFR § 455 Subpart B; and,
    - Contractors must have a separate and distinct board structure that is not shared with any contracted provider entity. The board must prioritize meaningful representation from persons served, recognizing their unique insights and lived experience as vital to guiding governance and ensuring decisions reflect the needs and perspectives of those the payor entity serves.
2. **Have a non-profit organizing structure.** Contractors must be considered a nonprofit organization[1]. Additionally, to support public value and encourage collaborative governance, this RFP will grant additional consideration to proposals submitted by:
    - **Public Entities** (e.g., municipal agencies, public universities)
    - **Public-Private Partnerships (PPPs)** that demonstrate clear governance, risk-sharing, and public benefit.

[1] Additional guidance on the definition of a non-profit is forthcoming

3. **Have National Committee for Quality Assurance (NCQA) accreditation.** Contractors with accreditation must provide proof of accreditation status. Contractors that are not currently accredited must provide a detailed plan to obtain NCQA accreditation by October 1, 2027.

4. **Submit a Regional Proposal**. Bidders must submit proposals by region as defined in the RFP, not by individual counties. Bidders may bid on more than one region; however, only one proposal submission is required when bidding on more than one region. Bidders must demonstrate the ability to be fully operational across the entire geographic area of the region for which they are submitting a proposal. Bidders that cannot provide services throughout the entire region will not be considered.



Michigan Prepaid Inpatient Health Plan Regions

Note: These designations are subject to change. It will be the bidder's responsibility to review all components of MDHHS' Prepaid Inpatient Health Plan Request for Proposal (RFP) upon its release.

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 plans 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.

Advocacy actions taken to date

- Coalition of organizations join CMHA in opposing this effort, including: Michigan Association of Counties, AFL-CIO and affiliates, Michigan Catholic Conference, NAMI Michigan
- Letters of opposition submitted and/or in-person meetings by these groups to Governor, Lieutenant Governor, and Secretary of State.
- Two Action Alerts (April, June)
- Infographic outlining concerns: used in legislative advocacy, media, and shared with membership
- County commission resolution template; sent to membership encouraging their boards of county commissioners to pass a resolution using this template
- Meetings with Director Hertel, after initial announcement of survey and intent to competitively procure PIHP contract; and again prior to May 23 announcement
- Dialogue with key Democratic house and senate members to urge them to speak to Governor relative to their opposition to MDHHS proposed PIHP contract procurement
- Analysis of preliminary procurement plan

Take Advocacy Action Now

CMHA is asking that you **take a moment to use the QR code, below**, to go to CMHA's Advocacy-Action Alert webpage and **take the action outlined there**. This will only take you a few minutes to reach out to your State Legislators and the Governor.

Thank you.

Attachment 4

Protecting People Over Profit

Public Management of Michigan's Behavioral Health System

Community Mental Health Association of Michigan

On February 28, 2025 the Michigan Department of Health and Human Services (MDHHS) announced that they are seeking public input through an online survey as the department moves to a competitive procurement process for the state's Pre-Paid Inpatient Health Plan (PIHP) contracts. **Our concern is that such bid-out plans, in the past, have opened the door to the privatization of Michigan's public mental health system.**

Unmandated Competitive Procurement: A Risky Proposal That Adds Chaos to Care

Potential funding cuts on the horizon

Disrupts care and creates confusion for those relying on critical services

Procurement process is NOT being driven by Federal rules or requirements

Rather Than a Chaotic Competitive Procurement Process, Take Real Steps to Collectively Solving Core Issues

HOW BEST TO IMPROVE ACCESS TO CARE & SERVICES FOR PEOPLE IN NEED

Sufficient Funding + **Ensure & Enhance Local Voice** + **Reduce Administrative Overhead** + **Increase Workforce & Network Capacity**

- **Sufficient Funding**
  Funding for the core mental health and I/DD services has remained FLAT over the past 5 fiscal years (including $0 general fund increase) while medical inflation has increased by over 10%* and Medicaid expenses have increased by nearly 25%. **Inadequate funding leads to shortages in available services, long wait times, and a lack of quality mental health providers.**
- **Ensure & Enhance Local Voice**
  Only a publicly managed system protects local input. **Privatization removes people's power, shifting care decisions to out-of-state boards with no direct ties to Michigan communities.**
- **Reduce Administrative Overhead**
  Collectively PIHPs have a MLR (Medical Loss Ratio) of 96.3%. The ONLY way to reduce layers and ensure more money goes directly into services is by reducing administrative overhead, which has dramatically increased over the past 5 years. **More bureaucracy means longer wait times, more hoops to jump through, and fewer resources for essential care.**
- **Increase Workforce & Network Capacity**
  3/4 of Michigan's public mental health organizations are experiencing workforce gaps despite salary increases or retention bonuses. Top reasons people leave the public mental health field: (1) too much paperwork / administrative hoops to jump through, and (2) better pay and work life balance. **A shortage of mental health workers means longer wait times, fewer available services—leaving Michigan's most vulnerable without the support they need.**

*According to the U.S. Bureau of Labor Statistics

Governor Whitmer,

I am writing to express opposition to and concern related to the proposal by the Michigan Department of Health and Human Services (MDHHS) to put out for bid the state's contract with the public Prepaid Inpatient Health Plans (PIHPs). This process holds the threat of privatize the system – whether the contracts go to private non-profit or private for-profit health plans/health insurance companies rather than the public PIHPs – with harm to service access and quality, local public governance and transparency.

Hundreds of thousands of individuals and families across the State of Michigan depend on the public mental health system for evidence-based high-quality care. This procurement proposal does nothing to improve care and access for people with a mental illness, addiction, or developmental disability. The proposal focuses solely on the administrative/managed care structure and does not address the refinements to nor funding of the service delivery system.

Given the significantly higher overhead of the private health plans, 15% versus the 2% overhead of the current public PIHP system, a change to the private management of the system, whether non-profit or for-profit, dramatically reduces the dollars available for services. If the procurement results in the management being moved to one or more private health plans across the state, the reduction in the dollars available for service delivery would be over $500 million per year. This cut would exacerbate the underfunding currently experienced by the system and dramatically reduce access to and quality of care.

Additionally, if this procurement leads to the privatization of the system's management, local public control over the use of Medicaid mental health dollars – a role currently played by Michigan's counties in the formation and governance of the state's PIHPs, in 1997, and that the counties have played since the formation of Michigan's nationally recognized public community mental health system - would be seriously eroded.

Rather than pursue this bid-out approach, MDHHS needs to join with stakeholders from across the state to take the concrete steps needed to refine Michigan's public mental health system. The steps center around: aggressive action to close the deep and prolonged mental health workforce gap (seen across all disciplines including psychiatrists, social workers, psychologists, nurses, and direct care workers); closing the yawning funding gap faced by the system over the past several years; and reducing the administrative and paperwork burden borne by the public system.

I urge you to instruct MDHHS to halt the PIHP procurement process or, as in the past, work with Michigan counties, CMHSPs, PIHPs and advocacy groups to redesign the public PIHP structure while also joining with these parties and other stakeholders from across the state to pursue concrete approaches to addressing the real areas of needed improvement that exist in Michigan's public mental health system.

Sincerely,

Elizabeth Kelly Byrd
Executive Director
SEIU Michigan

cc:
Lieutenant Governor Garlin Gilchrist
MDHHS Director Elizabeth Hertel
Speaker of the House Matt Hall
Senate Majority Leader Winnie Brinks