



Fiscal Year 2025/2026 Budget Presentation

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Introduction and Purpose

- Public Presentation required by PA 43
- FY2026 Budget Development Revenue Assumptions
- FY2026 Other Revenue Information
- FY2026 Regional Operating Revenue Budgets
- FY2026 Regional Operating Expense Budgets
- FY2026 LRE Administrative Expense Breakdown
- Next Steps
- Board review/approval today



FY2026 Budget Development Revenue Assumptions

- Michigan Department of Health and Human Services (MDHHS), along with Milliman, its actuarial firm, provided **DRAFT** rate information to the PIHPs. Final MDHHS Rate Certification letter has not yet been received.
 - PIHP Entity Specific Factors - Each PIHP will have its own entity factor which should be favorable to LRE's future rates. This will allow MDHHS to evaluate expense and enrollment changes specific to each PIHP region, rather than statewide as it has done in previous years, and assign revenue rates by region.
 - An unknown factor relates to a potential mandated increase by MDHHS in Community Living Supports (CLS) provider reimbursement rates. CMHSPs budgeted their current reimbursement rates
- No initial budgeted/withheld contribution to risk reserves recommended at this time. Will revisit after final rates are received from MDHHS and the next ISF Analysis is complete.
- PA2 projections are based on FY2026 revenues expected and projected by the Michigan Department of Treasury
- Grants are based on budgets submitted to MDHHS



FY2026 Other Revenue Information

- Certified Community Behavioral Health Clinic (CCBHC) – Beginning FY2026, all CCBHC funding is going directly from MDHHS to the CCBHCs. CCBHC will move to a fee-for-service arrangement between MDHHS and the CCBHCs for each daily visit provided. This funding will no longer flow through the PIHPs. The draft rates include a reduction in LRE's FY26 capitation of approximately \$76M related to CCBHC. The CCBHC supplemental revenue, which is cost settled with both MDHHS and the CCBHCs, has also be removed from LRE's FY2026 budget. Related expenses for CCBHC have also been removed from LRE's FY2026 budget.

FY2026 Regional Operating Revenue Budgets

	FY 2024/2025 Initial Budget	FY 2025/2026 Initial Budget	Increase / (Decrease)	Change %
Revenue				
Regional Operating Revenue				
Mental Health State Plan & 1915(i)	\$ 225,749,203	\$ 271,908,028	\$ 46,158,825	20.4%
Habilitation Supports Waiver (HSW)	51,729,665	52,777,990	1,048,325	2.0%
Children's Waiver	3,180,212	1,997,736	(1,182,476)	-37.2%
SED Waiver	1,672,628	651,737	(1,020,892)	-61.0%
DHS Incentive Payment	471,247	471,247	-	0.0%
Autism Revenue	47,599,001	62,742,617	15,143,616	31.8%
Mental Health Healthy Michigan	17,311,272	28,140,917	10,829,645	62.6%
Mental Health Block Grant - Veteran Navigator	110,000	139,241	29,241	26.6%
Block Grants - Hisp BH, Native Am, Tob, Clubhse, BH				
Workforce Stab., ARPA	513,800	445,800	(68,000)	-13.2%
Substance Use Gambling, ARPA & DFC	1,040,366	250,000	(790,366)	-76.0%
Substance Use State Plan	8,162,709	5,407,019	(2,755,690)	-33.8%
Substance Use Healthy Michigan	11,157,718	10,546,519	(611,199)	-5.5%
Substance Use Block, State Opioid Response	9,328,394	9,655,479	327,085	3.5%
Performance Bonus Incentive Pool	2,819,234	2,648,663	(170,571)	-6.1%
CCBHC Quality Bonus Incentive	1,745,775	-	(1,745,775)	-100.0%
Substance Use PA2 Liquor Tax	3,996,264	4,490,548	494,284	12.4%
Medicaid CCBHC Base Capitation	23,389,790	-	(23,389,790)	-100.0%
Healthy Michigan CCBHC Base Capitation	6,046,769	-	(6,046,769)	-100.0%
Medicaid CCBHC Supplemental	34,550,918	-	(34,550,918)	-100.0%
Healthy Michigan CCBHC Supplemental	9,822,186	-	(9,822,186)	-100.0%
Health Homes (BHH, SUDHH)	-	54,672	54,672	0.0%
CCBHC General Funds	-	-	-	0.0%
Hospital Rate Adjuster (HRA)	18,820,061	23,383,692	4,563,631	24.2%
Interest Earnings	1,354,059	1,365,174	11,115	0.8%
Member Local Contribution to State Medicaid	1,007,548	1,007,548	-	0.0%
Miscellaneous Revenue	5,500	5,500	-	0.0%
Total Revenue	\$ 481,584,318	\$ 478,090,127	\$ (3,494,191)	

FY2026 Regional Operating Expense Budgets

- 3 Member CMHSPs reported spending plans with minor surpluses and 2 reported break-even budgets
- Spending plans may be adjusted when final rates are received from MDHHS
- Member CMHSPs continue to report significant cost drivers:
 - Utilization increases (Autism, Inpatient, Specialized Residential, Community Living Supports)
 - Increased provider network rates
 - Staff retention and attraction
- Member payments reduced primarily due to removal of CCBHC

Expense

Regional Operating Expenses

Administration expense	\$ 13,922,557	\$ 13,922,556	\$ (0)	0.0%
Block Grants - Clubhse/Veterans/Hisp/Tob Cess/ NatAm/BH Workforce Stab/BHH Expansion	623,800	585,041	(38,759)	-6.2%
SUD Treatment Expenses - Grants	1,039,978	998,463	(41,515)	-4.0%
SUD Prevention Expenses - Grants & PA2	2,589,609	3,231,058	641,249	24.8%
Hospital Rate Adjustment / Taxes	22,405,885	27,160,236	4,754,351	21.2%
Operating Expense - Member Payments	439,994,741	431,185,225	(8,809,516)	-2.0%
Contribution to ISF/Savings	-	-	-	0.0%
Local Contribution to State Medicaid	1,007,548	1,007,548	-	0.0%
Total Expense	\$ 481,584,318	\$ 478,090,127	\$ (3,494,190)	



FY2026 Regional Operating Expense Budgets

LRE Administration Expense Breakdown

- No overall change in total budgeted amount from FY25 initial budget
- 2.91% of overall expense budget in FY26, up .02% from overall FY25 initial expense budget

FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
2.25%	2.17%	4.05%	3.54%	3.40%	3.20%	2.96%	2.89%	2.91%

- Salaries and fringes include assumptions for:
 - cost of living, merit increases, stay incentives, and severance budgeted for staff
 - overall insurance premium costs projected to increase approximately 15%
- Reduced contracting/consulting based on agency's current needs
- Projected remaining expenses based on lease agreement, historical costs, items identified by staff/managers, training needs, technology needs



LRE Administration Expense Breakdown

	FY 2025/2026 Initial Budget
Salaries and Fringes	7,869,737
Office Supplies/Meeting Expenses	317,116
Contracting/Consulting	854,414
Data Analytics/Knowledge Serv	160,000
MCIS	345,200
Building Rent/Utilities/Misc/Contingency	4,166,090
Legal	210,000
TOTAL	<u>\$13,922,556</u>



Next Steps

- Monthly Review of Reality vs. Assumptions
- Review Regional and Administrative Functions and Efficiencies per the Strategic Plan
- Budget Amendments, as needed



Thank you!