



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

GRETCHEN WHITMER  
GOVERNOR

ROBERT GORDON  
DIRECTOR

April 30, 2020

TO: Executive Directors of Prepaid Inpatient Health Plans (PIHPs)  
and Community Mental Health Services Programs (CMHSPs)

FROM: Jeffery L. Wieferich, M.A., LLP, Director *JW*  
Bureau of Community Based Services  
Behavioral Health and Developmental Disabilities Administration

SUBJECT: Funding Information

The following summarizes part of the information that was shared during our conference call this morning. The CMHSPs funding methodology is in a separate document.

### Medicaid Funding

The funding changes that are proposed regarding the risk corridors in the PIHP contract are only proposed, they have not been approved by leadership and have not been reviewed by CMS and are subject to change at any point. The purpose for sharing this information is to let you know what we are working on and to keep you as informed as we can as we all work to manage this crisis. The proposed changes include the following:

- Any change would be retroactive to October 1, 2019 and would be for this fiscal year only.
- The risk corridor will be changed to allow the PIHP to retain unexpended funds between 98% and 100% - all funds up to 98% must be returned if not expended.
- The PIHP will be financially responsible for liabilities incurred between 100% and 102%.
- MDHHS will be responsible for liabilities above 102%.
- ISF amounts would remain at currently approved levels.
- Medicaid savings (Section 8.6.2.1 of the contract) criteria will reflect the change for the PIHP to only be able to retain up to 2% of capitation funds.

In addition to the above, the following criteria would also be established:

- Mandated sub-capitation contracting based on 95% of historical costs over the last 2 years (primary focus to support residential service providers -MI/IDD/SUD).
- Mandated inpatient psych per diem increase of 25% - effective April 1- September 30 (for those taking COVID-19 patients, still considering this for all facilities due to social distancing requirements impact on hospital census).

The intent of this approach is to ensure that the PIHP is putting as much funding out into the system to support the provider network as possible by limiting what can be saved while also limiting the liability for over-expenditures.

**Direct Care Wage Increase**

The Direct Care Wage increase is intended to be effective from April 1, 2020 to June 30, 2020. The increase does have limited funding and a limited scope of which workers are included. The behavioral health direct care workers impacted by this increase include those providing:

- Community Living Supports
- Overnight Health and Safety Supports
- Personal Care
- Prevocational Services
- Respite
- Skill Building.

There will be a Medicaid L-letter coming out shortly with this information.

The wage increase will be pushed out through the PIHPs in the same manner as the last two wage increases and funding will support the \$2 an hour increase along with an additional 12% employer cost.

Please let us know if you have any questions.

cc: Allen Jansen