CHI²

Center for Healthcare Integration & Innovation

Community Mental Health Association of Michigan

Impact of the FY 2014 – 2015 State General Fund budget cut to Michigan's public mental health system

March 2017

Center for Healthcare Integration and Innovation
Community Mental Health Association of Michigan

Impact of the FY 2014 – 2015 State General Fund budget cut to Michigan's public mental health system

March 2017

Background

Over a six-month period, from April, 2014 to October 1, 2014, the **State's support for mental health services to persons without Medicaid coverage, in the form of State General Fund dollars to Michigan's Community Mental Health (CMH) system, was reduced by 60%.**

This reduction, of $200 million, which coincided with the expansion of Medicaid in Michigan, under the Healthy Michigan Plan (HMP), was to reflect the reduced level of demand for General Fund dollars needed to cover the cost of mental health services to persons who would be covered, as of April 2014, by the Healthy Michigan Plan.

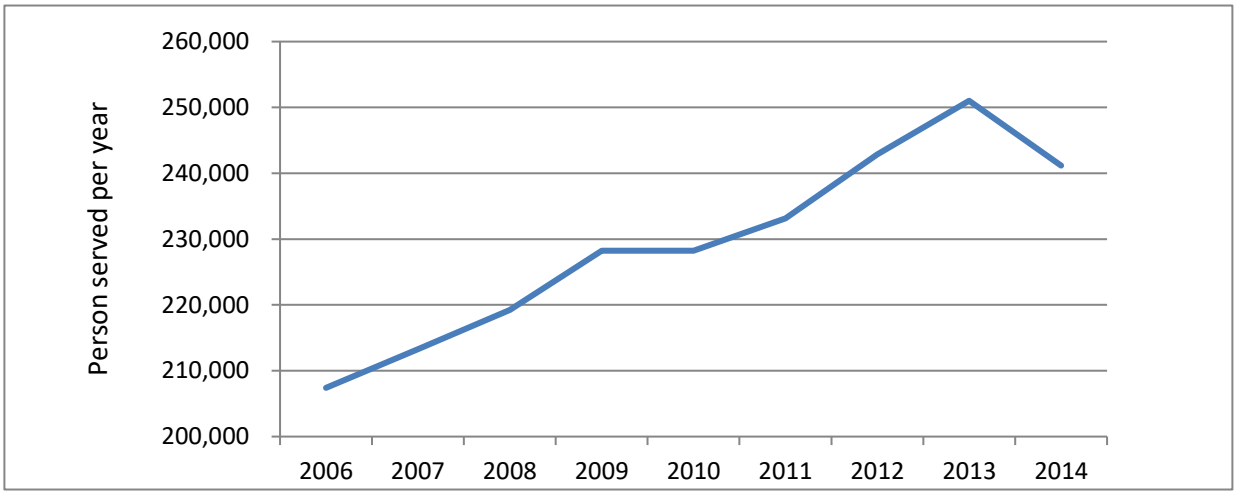
However, the size of this reduction was too great and was not offset by Healthy Michigan revenues. This funding reduction created a significant hole in the state's mental health safety net. Below is a discussion of the impact of and context for understanding the impact of that budget cut.

Number of persons who lost services

This cut resulted in the **elimination of mental health services for 10,000 Michigan residents**, as highlighted in the graph below. As the graph highlights, this reduction is in **stark contrast to the steady increase in the number of persons served by the state's CMH over the past nine years**. Thousands more had their services reduced (in frequency and/or type) in addition to those who for whom services were eliminated.

The persons for whom services were eliminated or reduced included those receiving an array of services including: crisis intervention services, psychiatric care and medications, psychotherapy, residential care, jail-based services, casemanagement, and homebased care for children, youth, and their families.

Graph 1: Persons served by Michigan's Community Mental Health System prior to and subsequent to General Fund reduction in FY 2014
(Source: Section 404 Report; MDHHS)



State funding per person per year for Michigan residents not enrolled in Medicaid

Of the state's $2.4 billion mental health budget (providing services to persons with mental illness and intellectual/developmental disabilities; not including substance use disorder services) only $117 million (less than 5%) is available for services to persons without Medicaid coverage. When the portion of that 5% that is used to underwrite the costs of services to persons with Medicare coverage and the cost of services to persons with spend-down Medicaid eligibility (a Medicaid status in which the person with incomes of $12,000 per year must spend, or the CMH spends on their behalf, approximately 2/3 of their income on health care in order to qualify for Medicaid) is removed from these funds, this 5% drops to 2.5%.

This 2.5% of the state's mental health budget provides $60 million per year to meet the mental health needs of the 8 million Michigan residents not covered by Medicaid. This funding level provides **$7.50 per person per year to meet the needs of these Michigan residents without Medicaid coverage** and includes services such as: inpatient psychiatric care, crisis intervention services, psychiatric care and medications, psychotherapy, residential care, jail-based services, and homebased care**. This thin funding level leaves many holes in the public safety net – a safety net that most Michigan citizens assume (and should be able to assume) exists for them and their family member in their time of need**

Service rationing resulting from funding reduction

In making decisions as to how to spend the limited state and local (non-Medicaid) funds that it holds, a CMH must examine both the severity and chronicity of the need; and whether the person has access to resources (fiscal or clinical) to meet those needs.

Given this, at the **top of the priority list must be those who have severe and chronic needs and no resources (no health insurance or health insurance that does not cover the person's need).** If funds are available, then they are used to serve those with less severe or chronic needs and those with resources to meet that need (those with insurance to cover those needs).

As examples:

- Persons with needs of high severity/chronicity and no insurance, nor Medicaid, nor Medicare are the highest priority.

- A person without Medicaid coverage and with or without private/commercial health insurance, who is court ordered for treatment, is a high priority because a judge has determined that the person's behavior and risk of harm to self or others requires treatment. Since court ordered treatment is not covered by private/commercial health insurance, the CMH must use state and local funds (non-Medicaid) to cover the cost of that care.

- A person with needs of high severity/chronicity and with private insurance or Medicare – both of which cover only the two extremes of services in the array of mental health services (office-based psychotherapy, office-based psychiatry and inpatient) and do not cover a great many core mental health services that are proven to foster recovery (intensive face-to-face coordination of care, short term crisis residential care, longer term residential care, homebased care, daily medication delivery and visits by clinicians, day programs) - receives those uncovered services with support from the CMH's state and local dollars.

Movement toward closing the gap – a beginning but holes in safety net remain large

Over the past year, the public and policy makers have increasingly recognized the causes and size of this funding and service gap. As a result, some movement has taken place in closing this gap, including an increase in the FY 2017 CMH funding to meet the needs of spend down Medicaid enrollees. While substantially greater movement toward closing this gap is needed, the recognition, by policy makers, of the impact of this funding gap on persons in need is an encouraging sign.

However, the general fund (non-Medicaid) funding gap is so large that the state's mental health safety net, the state's Community Mental Health system, remains unable to respond to community needs in the way that the CMH system and Michiganders, across the state, expect of that system.

The Center for Healthcare Integration and Innovation (CHI^2) is the research and analysis office within the Community Mental Health Association of Michigan (CMHAM). The Center, in partnership with the members of the CMH Association, leaders, researchers, consultants and advisors from across Michigan and the country, issues white papers and analyses on a range of healthcare issues with a focus on behavioral health and intellectual/developmental disability services.

The Community Mental Health Association of Michigan (CMHAM) is the state association representing the state's public Community Mental Health (CMH) centers, the public Prepaid Inpatient Health Plans [(PIHP) public health plans formed and governed by the CMH centers] and the providers within the CMH and PIHP provider networks. Information on CMHAM can be found at www.cmham.org or by calling (517) 374-6848.