

DISCUSSIONS REGARDING POTENTIAL MERGERS OF COORDINATING AGENCIES WITH PIHPs

(FY2012 Appropriation Bill - Public Act 63 of 2011)

April 1, 2012

Section 407: (1) The amount appropriated in part 1 for substance abuse prevention, education, and treatment grants shall be expended for contracting with coordinating agencies. Coordinating agencies shall work with CMHSPs or PIHPs to coordinate care and services provided to individuals with severe and persistent mental illness and substance abuse diagnoses. (2) The department shall approve coordinating agency fee schedules for providing substance abuse services and charge participants in accordance with their ability to pay. (3) It is the intent of the legislature that the coordinating agencies continue current efforts to collaborate on the delivery of services to those clients with mental illness and substance abuse diagnoses. (4) Coordinating agencies that are located completely within the boundary of a PIHP shall conduct a study of the administrative costs and efficiencies associated with consolidation with that PIHP. If that coordinating agency realizes an administrative cost savings of 5% or greater of their current costs, then that coordinating agency shall initiate discussions regarding a potential merger in accordance with section 6226 of the public health code, 1978 PA 368, MCL 333.6226. The department shall report to the legislature by April 1 of the current fiscal year on any such discussions.

*Michigan Department
of Community Health*



Rick Snyder, Governor
Olga Dazzo, Director

BUREAU OF SUBSTANCE ABUSE AND ADDICTION SERVICES

APPROPRIATION ACT SECTION 407(4) REPORT

Fiscal Year 2011 Activities

Below is information provided by the four substance abuse coordinating agencies (CAs) that are located completely within the boundary of a prepaid inpatient health plan (PIHP).

Detroit Department of Health and Wellness (DDHW), Bureau of Substance Abuse, Prevention, Treatment and Recovery (BSAPTR)

DDHW contracted with Plante & Moran, PLLC to conduct a financial feasibility study.

Conclusion – BSAPTR, if merged with the Detroit-Wayne County Community Mental Health Agency (D-WCCMH), could realize an estimated savings of 7.8% in administrative dollars. To meet estimated savings, several assurances must be met. Additionally, several costs (one-time start-up and transfer costs, training, and D-WCCMH indirect costs) were not included in the 7.8% savings determination. There are no future discussions planned on a potential merger.

Oakland County Health Division, Office of Substance Abuse Services

Meetings were held with Oakland County Community Mental Health Authority and Office of Substance Abuse Services staff to discuss costs and potential savings. Oakland's administrative cost study was performed by the Office of Substance Abuse Services.

Conclusion – No savings of 5% or greater were determined. Oakland's study reviewed costs for the seven core functions for coordinating agency administration. Meetings between the CA and PIHP will continue.

Saginaw County Department of Public Health, Substance Abuse Treatment and Prevention Services

Saginaw's administrative cost study was performed by the Saginaw County Community Mental Health Authority and the CA.

Conclusion – A study of administrative costs associated with consolidation did not yield a savings of 5% or greater. The consensus was to keep the current arrangement. No additional discussions are planned regarding a merger at this time.

Western Upper Peninsula Substance Abuse Services (WUPSAS)

WUPSAS's administrative cost study was performed internally by the CA.

Conclusion – Staff has determined that because of redistribution of certain revenues and the associated expenditures, a savings of up to 5% in DCH Bureau of Substance Abuse and Addiction Services administrative allocation could be realized. Discussions will be initiated with (NorthCare Network) PIHP.