



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

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GOVERNOR

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October 14, 2010

TO: Community Mental Health Services Program Executive Directors

FROM: Michael J. Head, Director
Mental Health and Substance Abuse Administration

SUBJECT: FY 11 Reductions in General Fund (GF) Allocations to CMHSPs

The FY11 Appropriation Act for Community Mental Health requires that the Department institute reductions in allocations for non-Medicaid (GF) Community Mental Health Services Programs. These reductions total \$5,434,000 made up of:

- \$1,636,100 in total reductions to CMH non Medicaid (GF) allocations. Per agreement with the Conference Committee, these were determined for each CMHSP using the "Funding Factors" reduction model used to administer the CMHSP non-Medicaid reductions required in FY10.
- \$3,797,900 total reductions to CMH non-Medicaid by targeting administrative expenditures in CMHSPs.

This memorandum transmits the details of these reductions to the Community Mental Health non-Medicaid allocations. We know that these reductions will place additional burdens on the community mental health services system as demand for services continues to increase; we do expect, though, that the reductions in administrative costs will not have a service capacity impact. Given the potential revenue problems that Michigan is facing for FY 12 and beyond, I think we all know that this reduction may be small in comparison to what may make up the future.

GF Reduction of \$1,636,100

Enclosure 1 contains the FY11 Reductions to Community Mental Health Non-Medicaid Allocations that comprise this total reduction amount. As with last year's reduction administered using the Funding Factors method, there are no restrictions in how a CMHSP administers this component of the reduction. It is expected that each CMHSP will accomplish the reductions by maintaining program and service priorities that promote stated policy and practice improvement expectations, such as those elements outlined in the Application for Renewal & Recommitment, finding even more efficient

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approaches to providing services and supports, and by maintaining local efforts to support individuals with mental illness as they seek to achieve their own pathway to recovery.

The methodology developed for the FY10 Reductions was maintained with the exception that the mitigating factors of state facility utilization, residual unemployment and homeless shelter days was increased on the basis that these factors continue to have a significant impact on the need for community mental health services. As a result of the methodology, some CMHSPs are exempt from this component of required reductions. We have not engaged in any redistribution, though, as was conducted in two locales in FY 10.

GF Reduction of \$3,797,900 Targeted to CMHSP Administration

Enclosure 2 contains the FY11 Administrative Allocation Reductions.

Reduction Policy Guidance. The department, in proposing an administrative reduction during the FY11 budget planning, as a component of meeting required reduction targets, identified a capacity for savings resulting from economies of scale and through shared and consolidated functions to be captured as the source of achieving said reductions. These considerations have been at play as the department worked on methods to administer this reduction component. As a result, the department continues to urge that PIHP-level discussions take place which foster work to attain outcomes that allow the affected CMHSPs to continue to operate effectively by sharing resources and functions in order to achieve greater synergy across networks. If, in those discussions, state barriers are identified, DCH is committed to assisting in finding a resolution.

The completion and administration of "Section 460" requirements for delineating standards for reporting administrative costs has resulted in a "level playing field" from which the department could then proceed with a more certain sense that comparisons across systems were valid. The administrative function elements include within the category of "Customer Services", community benefit-type activities. Examples include partnership arrangements with community organizations; cross training and specialized consultation with schools, jails, DHS, police and other service personnel; System of Care initiatives and participation in community planning bodies. The Department considers these types of activities to be both a priority and a high value, with the expectation that these services will be maintained if at all feasible. The Administrative Cost Report for FY11, due Spring, 2012 will be expected to demonstrate administrative savings in comparison to the FY09 report (submitted in 2010).

As all CMHSPs know, the department engaged several representatives of CMHSPs to serve as a reference group to assist in considering this set of reductions. While the department took the input of the group under advisement, it must be stressed that the group was not polled for their concurrence with the final method applied. These

reductions may be achieved in any administrative category including the CMHSP central administration allocated to direct service provision and/or in entities to which administrative functions have been delegated. Affiliations are encouraged to develop affiliation-wide plans. These plans may include recommended revisions in the reduction amounts among affiliation members but the total GF reduction for the affiliation must be met.

Reporting Requirements

CMHSPs will be requested to provide information identifying the impact of the \$1.6 M reduction. Additionally, a report describing the administrative reduction plan will be required for submission. This information will be due January 31, 2011; a format and instructions will be transmitted under separate cover. MDCH review will include monitoring the receipt of the reports; sufficiency of CMHSP detail to determine the nature and planned administrative savings and to implement allocation revisions as determined among affiliations, where an affiliation group has proposed a different distribution among those particular CMHSPs.

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Michigan Department of Community Health
FY 11 REDUCTIONS TO COMMUNITY MENTAL HEALTH NON-MEDICAID (GF) ALLOCATIONS: \$1.6 MILLION

CMH Name	July 2009 Population	FY10 Final Community GF	FY 10 Funding against Current Funding Factors	Reduction Portion using Funding Factors @ 100%	MITIGATING FACTORS				TOTAL REDUCTION
					State facility	Residual Unemploy- ment	Homeless Shelter Days	Reduction Portion using across-the- board	
Factors				\$1,248,650	\$326,900	(\$163,450)	(\$490,350)	\$693,240	\$1,636,100
Allegan	113,449	\$1,404,181	48%	\$0	\$2,939	(\$826)	(\$197)	\$3,279	\$5,195
AuSable	55,758	\$2,027,939	113%	\$9,599	\$543	(\$1,145)	(\$373)	\$4,735	\$13,359
Barry	58,434	\$1,438,090	105%	\$3,087	\$391	(\$646)	\$0	\$3,358	\$6,189
Bay-Arenac	123,526	\$3,232,008	94%	\$0	\$1,385	(\$1,349)	(\$1,493)	\$7,547	\$6,090
Berrien	160,472	\$3,963,027	78%	\$0	\$4,853	(\$1,353)	(\$1,414)	\$9,253	\$11,341
Central	270,030	\$6,151,799	72%	\$0	\$7,025	(\$2,703)	(\$4,701)	\$14,364	\$13,986
Clinton-Eaton-In	453,603	\$9,076,448	71%	\$0	\$14,534	(\$2,961)	(\$33,372)	\$21,193	\$0
Copper	52,811	\$1,837,313	109%	\$6,511	\$639	(\$960)	(\$508)	\$4,290	\$9,972
Detroit/Wayne	1,925,848	\$96,563,420	123%	\$735,779	\$142,618	(\$69,241)	(\$205,042)	\$225,471	\$829,583
Genesee	424,043	\$12,791,246	87%	\$0	\$20,370	(\$7,622)	(\$8,946)	\$29,867	\$33,670
Gogebic	15,936	\$639,729	127%	\$5,566	\$906	(\$313)	(\$470)	\$1,494	\$7,183
Gratiot	41,948	\$916,466	76%	\$0	\$1,173	(\$551)	(\$63)	\$2,140	\$2,698
Hiawatha	57,449	\$1,963,573	112%	\$8,681	\$2,499	(\$968)	(\$3,394)	\$4,585	\$11,402
Huron	32,236	\$873,502	93%	\$0	\$0	(\$346)	\$0	\$2,040	\$1,694
Ionia	62,574	\$1,432,835	76%	\$0	\$105	(\$876)	(\$3,023)	\$3,346	\$0
Kalamazoo	248,407	\$9,010,361	119%	\$58,511	\$8,898	(\$3,184)	(\$23,221)	\$21,039	\$62,042
Network 180/Ke	608,315	\$12,617,452	76%	\$0	\$18,264	(\$4,136)	(\$10,681)	\$29,461	\$32,908
Lapeer	89,974	\$1,635,897	75%	\$0	\$4,071	(\$791)	\$0	\$3,820	\$7,100
Lenawee	99,837	\$1,045,524	41%	\$0	\$1,661	(\$633)	(\$3,350)	\$2,441	\$118
Lifeways	205,478	\$5,212,130	87%	\$0	\$2,004	(\$2,786)	(\$10,656)	\$12,170	\$732
Livingston	183,118	\$3,626,564	107%	\$9,461	\$361	(\$1,791)	(\$1,733)	\$8,468	\$14,766
Macomb	831,427	\$21,096,703	109%	\$68,905	\$16,515	(\$10,786)	(\$12,567)	\$49,260	\$111,326
Manistee-Benzie	41,666	\$955,967	86%	\$0	\$845	(\$381)	(\$1,588)	\$2,232	\$1,109
Monroe	152,721	\$3,974,930	113%	\$19,107	\$1,800	(\$2,043)	(\$8,370)	\$9,281	\$19,775
Montcalm	62,733	\$1,233,524	58%	\$0	\$0	(\$880)	\$0	\$2,880	\$2,000
Muskegon	173,951	\$5,020,679	89%	\$0	\$7,056	(\$2,035)	(\$19,795)	\$11,723	\$0
Newaygo	48,686	\$1,025,462	68%	\$0	\$893	(\$518)	(\$273)	\$2,394	\$2,498
Northern Lakes	193,508	\$5,130,676	96%	\$0	\$3,530	(\$2,100)	(\$22,854)	\$11,980	\$0
Northeast	63,910	\$1,570,906	79%	\$0	\$1,017	(\$882)	(\$6,931)	\$3,668	\$0
Northern	149,688	\$4,786,344	118%	\$30,849	\$4,543	(\$1,662)	(\$10,131)	\$11,176	\$34,775
Northpointe	62,293	\$2,159,507	123%	\$16,705	\$2,909	(\$665)	(\$2,230)	\$5,042	\$21,762
Oakland	1,205,508	\$32,307,353	121%	\$235,830	\$16,038	(\$18,491)	(\$21,423)	\$75,436	\$287,390
Ottawa	261,957	\$3,526,684	69%	\$0	\$711	(\$1,246)	(\$10,162)	\$8,235	\$0
Pathways	118,425	\$3,014,005	88%	\$0	\$2,772	(\$1,100)	(\$3,648)	\$7,038	\$5,061
Pines	44,737	\$1,345,928	98%	\$0	\$614	(\$705)	(\$1,766)	\$3,143	\$1,286
Saginaw	200,050	\$5,887,087	82%	\$0	\$11,411	(\$2,823)	(\$15,433)	\$13,746	\$6,901
Sanilac	42,064	\$1,294,585	104%	\$2,300	\$22	(\$629)	(\$274)	\$3,023	\$4,442
Shiawasee	70,006	\$1,358,154	68%	\$0	\$220	(\$689)	(\$131)	\$3,171	\$2,571
St Clair	167,562	\$3,558,593	77%	\$0	\$366	(\$2,049)	(\$2,670)	\$8,309	\$3,956
St Joseph	61,723	\$813,770	43%	\$0	\$2,507	(\$306)	(\$6,071)	\$1,900	\$0
SummitPointe	135,616	\$4,989,433	109%	\$17,562	\$3,073	(\$1,910)	(\$7,571)	\$11,650	\$22,804
Tuscola	55,395	\$1,203,696	75%	\$0	\$1,433	(\$583)	(\$1,131)	\$2,811	\$2,530
VanBuren	78,227	\$1,682,299	69%	\$0	\$1,288	(\$728)	(\$1,588)	\$3,928	\$2,899
Washtenaw	347,563	\$7,267,855	81%	\$0	\$10,119	(\$3,029)	(\$17,836)	\$16,970	\$6,224
West	67,140	\$2,747,662	122%	\$20,194	\$264	(\$1,415)	(\$3,271)	\$6,416	\$22,188
Woodlands	49,925	\$1,486,033	100%	\$0	\$1,714	(\$610)	\$0	\$3,470	\$4,575
Total	9,969,727	\$296,897,339		\$1,248,650	\$326,900	(\$163,450)	(\$490,350)	\$693,240	\$1,636,100

Notes:

FY10 - based on CMH Allocation - Amendment 4

If mitigating factors resulted in a reduction of less than zero (eg increase) total reduction revised to -zero-

no change in data source for mitigating factors from FY10 reduction methodology

total reduction; rounded to nearest \$100

ADMINISTRATIVE REDUCTION WORK GROUP SUMMARY AND METHODOLOGY

PRINCIPLES → WORKGROUP DISCUSSION

The Department established a workgroup of CMHSP participants to provide input and feedback on the reduction methodology. Derived from those discussions, MDCH established the following principles.

- The reduction methodology should strive for equity, or a "level playing field" in making the reductions, recognizing the differences among CMHSPs as direct service providers, size, and PIHP arrangement (affiliate or stand alone).
- The reduction methodology should recognize that the impact of the reduction is highly unlikely to be isolated to only GF administrative costs. Correspondingly, the total gross administration of the CMHSP should be considered as well as the differential amount of GF funding in relation to total CMHSP funds.
- Performance should be a consideration in the methodology. There are significant variations in administrative costs as a percentage of total funding that do not appear to be isolated to the relative funding capacity of the CMHSP or the size of its operations.
- Ongoing consideration to reductions in administrative burden should take place. DCH recognizes the need for ongoing processes by the department as well as regionally and locally that continue to streamline, consolidate and assess administrative requirements.

REDUCTION METHODOLOGY

The FY09 Administrative Cost Report was used as a basis for determining the reductions as this is the only source of comprehensive information about CMHSP Administrative Costs. Delegated administration to affiliate CMHSPs was removed from the hub CMHSP administration cost to result in an unduplicated gross administration. There are three components to the reduction methodology:

- 1) CMHSPs were grouped into one of 4 categories:
 - large stand alone CMHSPs with an average administration of 8.4%;
 - small stand alones with an average administration of 11%;
 - affiliate and hub CMHSPs with an average administration of 13% and
 - very small CMHSP affiliates with an average of 15% gross administration. A ceiling of 13% administration was established for these CMHSPs as well.

Those CMHSPs above the average for the category were reduced to the average of the category or to a ceiling of 13% for a reduction of \$3.4 Million affecting 23 of 46 CMHSPs

Additionally, DCH is seeking administrative savings in affiliation PIHP arrangements. Correspondingly, reductions were made as follows:

- 2) A reduction of \$173.9 representing about 3% for 23 affiliate CMHSPs
- 3) A reduction of \$99.0 representing about 1.5% for those hubs whose delegated administrative costs were more than 15%

Finally, five affiliate CMHSPs with the lowest remaining gross administration were exempted from these reductions as well as the hub PIHP with the lowest administration costs.

**Michigan Department of Community Health
FY 11 CMHSP Administration Reduction - \$3,797,900**

Community Mental Health Services Program (CMHSP)	Percentages				Reduction to Category Limit	Pro-Rata Reductions		Total GF Administration Reduction
	Gross Administration	CMHSP Category Maximum	GF of Gross Expend	Delegated Functions		Affiliate	Hub	
Allegan County CMH Services	10.0%	13.0%	11.0%		0	0	0	0
AuSable Valley CMH Services	21.0%	13.0%	15.0%		165,023	11,589	0	176,612
Barry County CMH Authority	14.7%	13.0%	22.0%		24,237	5,202	0	29,439
Bay-Arenac Behavioral Health	18.5%	13.0%	9.0%	7%	236,159	0	0	236,159
Berrien Mental Health Authority	10.5%	13.0%	15.0%		0	0	0	0
CMH Authority of Clinton-Eaton-Ingham	12.3%	13.0%	13.0%	26%	0	0	22,317	22,317
CMH for Central Michigan	8.8%	11.0%	11.0%		0	0	0	0
CMH of Ottawa County	12.9%	13.0%	11.0%		0	16,067	0	16,067
CMH Services of Muskegon County	11.8%	13.0%	11.0%	35%	0	0	9,212	9,212
CMH Services of St Joseph County	9.3%	13.0%	12.0%		0	0	0	0
Copper Country CMH Services	12.6%	13.0%	14.0%		0	5,116	0	5,116
Detroit-Wayne County CMH Agency	9.4%	8.4%	24.0%		1,430,860	0	0	1,430,860
Genesee County CMH Services	10.1%	8.4%	17.0%		329,773	0	0	329,773
Gogetic CMH Authority	21.9%	13.0%	10.0%		58,365	3,695	0	62,060
Gratiot County CMH Services	15.2%	13.0%	12.0%		24,888	5,114	0	30,002
Hiawatha Behavioral Health	14.2%	13.0%	11.0%		21,161	5,836	0	26,997
Huron Behavioral Health	14.2%	13.0%	10.0%		11,390	4,102	0	15,492
Ionia County CMH	12.3%	13.0%	15.0%		0	6,008	0	6,008
Kalamazoo CMH & Substance Abuse Serv	11.6%	13.0%	15.0%	29%	0	0	19,418	19,418
Lapeer County CMH Services	8.2%	13.0%	10.0%		0	0	0	0
Lenawee CMH Authority	12.3%	13.0%	11.0%		0	6,876	0	6,876
Lifeways CMH Authority	11.2%	11.0%	10.0%		11,622	0	0	11,622
Livingston County CMH Authority	13.2%	13.0%	15.0%		4,769	9,102	0	13,871
Macomb County CMH Services	6.9%	8.4%	14.0%		0	0	0	0
Manistee-Benzie CMH	12.8%	13.0%	11.0%		0	5,438	0	5,438
Monroe CMH Authority	14.1%	13.0%	14.0%		40,025	14,016	0	54,041
Montcalm Center for Behavioral Health network 180	14.8%	13.0%	15.0%		22,222	3,686	0	25,908
Newaygo County Mental Health Center	6.9%	8.4%	14.0%		0	0	0	0
Newaygo County Mental Health Center	14.1%	13.0%	12.0%		12,864	4,929	0	17,793
North Country CMH	14.3%	13.0%	14.0%	30%	68,014	0	11,041	79,055
Northeast Michigan CMH Authority	12.8%	13.0%	8.0%		0	12,021	0	12,021
Northern Lakes CMH Authority	7.6%	13.0%	13.0%	22%	0	0	0	0
Northpointe Behavioral Healthcare System	13.2%	13.0%	16.0%		6,354	5,501	0	11,855
Oakland County CMH Authority	5.4%	8.4%	19.0%		0	0	0	0
Pathways	16.8%	13.0%	7.0%	20%	125,138	0	8,378	133,516
Pines Behavioral Health Services	9.3%	13.0%	13.0%		0	0	0	0
Saginaw County CMH Authority	12.8%	11.0%	19.0%		181,281	0	0	181,281
Sanilac County CMH	15.3%	13.0%	7.0%		27,952	8,837	0	36,789
Shiawassee County CMH Authority	12.5%	13.0%	12.0%		0	5,209	0	5,209
St Clair County CMH Services	20.1%	13.0%	9.0%	14%	366,607	0	0	366,607
Summit Pointe	16.8%	13.0%	13.0%	23%	210,804	0	13,839	224,643
Tuscola Behavioral Health System	14.5%	13.0%	11.0%		23,876	6,351	0	30,227
Van Buren Community Mental Health Auth	11.5%	13.0%	14.0%		0	9,857	0	9,857
Washtenaw CMH Organization	7.8%	13.0%	19.0%	15%	0	0	14,764	14,764
West Michigan CMH System	16.9%	13.0%	18.0%		121,604	13,537	0	135,141
Woodlands Behavioral Healthcare Network	11.8%	13.0%	17.0%		0	5,852	0	5,852
State Total					3,524,990	173,941	98,969	3,797,900

Notes:

- (1) source data: FY09 Administrative Cost Reports as adjusted (for some CMHSPs) after review/analysis
- (2) a maximum of 13% administration was set for CMHSPs; 11% for smaller stand-alone and 8.4% for large stand-alone CMHSPs
- (3) a pro-rata reduction to all affiliate CMHSPs was made as well as a pro-rate reduction to all hub CMHSPs with 15% or more delegated
- (5) delegated functions-the % of administrative costs, in hubs, that is delegated; lower numbers represent more centralization
- (6) categories are: large stand alone CMHSP/PIHPs-8.4%; small stand alone CMHSP/PIHPs-11%; all other -13%
- (7) a pro rate reduction to affiliate CMHSPs was made as well as to hub CMHSP/PIHPs with 15% or more in delegated administration
- (8) a floor was established for affiliation CMHSPs exempting 4 CMHSPs from reductions; Stand alone CMHSPs/PIHPs below the category average were also exempted from reductions