

Status Report on Workgroup Expenditures

(FY2018 Appropriation Act - Public Act 107 of 2017)

March 1, 2018

Sec. 1009. (1) From the funds appropriated in part 1 for Medicaid mental health services and Healthy Michigan plan - behavioral health, the department shall allocate up to \$45,000,000.00 to increase hourly wages by \$0.50 for direct care workers providing Medicaid behavioral health supports and services. The department shall contractually mandate these funds be fully passed through to agencies directly responsible for paying the direct care workers' wages and shall contractually mandate that the agencies provide the department by February 1 of the current fiscal year with ending wages at the end of the previous fiscal year and the new increased wages provided in the current fiscal year. The purpose of this allocation is to increase access to direct care services as reported in CMHSP sub-element cost reports, to reduce the turnover rate among direct care workers, and to improve the quality of direct care workers providing Medicaid behavioral health supports and services.

(2) To receive the funds described in subsection (1), each PIHP shall do the following:

(a) Each PIHP shall report to the department by February 1 of the current fiscal year the actual expenditures of such funds in the format to be determined by the department.

(b) Each PIHP shall report to the department by February 1 of the current fiscal year the range of wages paid to workers impacted by the wage pass-through, including information on the number of workers at each wage level.

(3) Any of the funds provided in this section not utilized by a PIHP for increasing direct care worker wages or for the employer's share of federal insurance contributions act costs shall be deducted from the base allocation to that PIHP in the subsequent fiscal year.

(4) The department shall report the information required to be reported according to subsection (2) to the senate and house appropriations subcommittees on the department budget, the senate and house fiscal agencies, the senate and house policy offices, and the state budget office by March 1 of the current fiscal year.



Michigan Department of
Health & Human Services

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**Michigan Department of Health and Human Services
Report on Direct Care Hourly Wage Increase
Boilerplate Section 1009**

BACKGROUND

The Michigan Department of Health and Human Services (MDHHS) implemented a multi-step approach to complying with this boilerplate requirement. The first step was to implement a payment methodology process to distribute the allocated funding in an efficient way to the Prepaid Inpatient Health Plans (PIHPs), for their subsequent distribution to the portions of their provider network that employed direct care staff members. The second step was to provide guidance to the field on the information that would initially need to be reported to MDHHS to assure that the PIHPs had taken steps to distribute the hourly wage increase. The third step will include additional year-end financial reporting necessary to meet the reporting and funding use requirements in the boilerplate.

INITIAL DISTRIBUTION GUIDANCE

The methodology used to calculate the amount of funds distributed to PIHPs to fund the direct care hourly wage rate increase was discussed with the PIHPs and included in Fiscal Year 2018 Behavioral Health Capitation Rate Certification completed by MDHHS' actuarial firm Milliman.

The Fiscal Year 2018 Behavioral Health Capitation Rate Certification addresses the direct care hourly wage increase under iii. Data Adjustments as follows:

(i) Direct Care Wage (DCW) reimbursement increase

Effective October 1, 2017, MDHHS increased reimbursement for direct care related services which effectively translated to an hourly wage increase to those workers. The following services were considered DCW services for purposes of this analysis:

- H0043 – Community Living supports in Independent living/own home
- H2014 – Skill-building
- H2015 – Community Living Supports (15 minutes)
- H2016 – Community Living Supports (Daily)
- H2023 – Supported Employment Services
- S5151 – Respite
- T1005 – Respite Care
- T1020 – Personal Care in Licensed Specialized Residential Settings
- T2015 - Out of Home Prevocational Services
- T2036 – Community Living Supports/Respite Care – Therapeutic Camping
- T2037 – Community Living Supports/Respite Care – Therapeutic Camping

The funds to support the hourly direct care wage increase began to be distributed as a portion of the PIHPs monthly capitated payments starting in October 2017. PIHPs were instructed by MDHHS to distribute the direct care hourly wage increase to their provider network staff members who were providing the direct care services identified in the Milliman Behavioral Health Capitation Rate Certification. Milliman also produced a PIHP specific breakdown on the amount of the PIHP capitation payment that was attributed to

this increase in direct care hourly wage rates. That guidance was provided to the PIHPs on October 6, 2017.

ADDITIONAL DISTRIBUTION GUIDANCE

MDHHS received additional questions on the distribution of the direct care hourly wage increase funds from PIHPs, Community Mental Health Services Programs, trade associations, and service providers. In response, MDHHS provided additional guidance to the PIHPs on December 14, 2017. That guidance also identified the hourly direct care wage information the PIHPs would initially have to provide to MDHHS.

ADDITIONAL REPORTING REQUIREMENTS

As noted in the background section above, the boilerplate language requires MDHHS to report the specific amount of funding used to increase direct care wages. Expenditure and wage data are not available at this time compliance with subsections 2(a) and 2(b). Once that data is available, the Department will provide an updated report to the Legislature. Additional financial status reporting will not be available until and required at the end of 2018 so that MDHHS can validate the specific amount of funding used by PIHPs to support direct care hourly wage rate increases. In addition, MDHHS will implement appropriate contract management oversight and sanctioning processes as necessary to ensure that PIHPs are complying with the direct care hourly wage rate increase requirements. Failure of the PIHPs to distribute and report the appropriate use of the direct care hourly wage increase component of the capitation payments made to the PIHPs will result in removal of those funds from future capitation payments and MDHHS' initiation of other applicable contract management and sanctioning activities.