STATE OF MICHIGAN
DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

GRETCHEN WHITMER
GOVERNOR

ROBERT GORDON
DIRECTOR

January 7, 2020

Community Mental Health Association of Michigan
426 S. Walnut Street
Lansing, MI 48933

Dear Community Mental Health Association of Michigan:

I am writing to you to follow up on our December 4, 2019 announcement about the Michigan Department and Health and Human Services approach to strengthening Michigan's behavioral health and developmental disabilities system. We have laid out more information about our plans at www.Michigan.gov/FutureOfBehavioralHealth, and encourage your members to review those materials to better understand our approach. However, we realize further information may be helpful, particularly around the central role we are asking Community Mental Health service providers (CMHs) to play in the future system.

I honor the extraordinary work that your members have done to establish a public safety net that serves all Michiganders. So many states would love to create what you have built. At the same time, we must confront the significant shortcomings in Michigan's overall approach to behavioral health: At the frontline level, physical and behavioral health are not sufficiently integrated. With separate financing approaches, there are neither incentives nor simple mechanisms to increase investment into behavioral health care, even when so doing saves physical health dollars. The system provides limited choice for consumers or public accountability for results, and it faces ongoing financial instability. What is more, the conditions that have driven past movement for major system reform—growing needs and limited resources—will only intensify in coming years.

Piecemeal reforms would add complexity without addressing the system's deepest challenges. The question is not whether Michigan's approach to behavioral health service delivery will fundamentally change; the question is *how* it will fundamentally change. That is a question we can answer together, today. The administration in which I serve deeply understands the importance of Michigan's community-based mental health providers. We are committed to addressing systemic challenges in a way that strengthens what is best in our public system, while also bringing needed modernization. While change will be hard in the short term, change now will create a stronger foundation for the future that serves people better and ensures the long-term sustainability of our public system.

Some still believe a carve-in to the Medicaid Health Plans (MHPs) would best serve our state. We believe that a specialty integrated plan model offers a better option for Michigan, building on the strengths of our current system while also addressing its shortcomings. Our proposal includes the following fundamental elements:

- **Preserving the public safety net**. We will preserve and strengthen the safety net and community benefit system, continuing to fund and manage these services through the CMHs. We will move to greater statewide consistency in funding and benefits, while also retaining flexibility and responsiveness to meet local needs. We will ensure a

clearly defined set of core services are available statewide, and appropriate dedicated funding to support those activities.

- **Specialty integrated plan (SIP) model**. There will be one payer and one accountable organization – a specialty integrated plan or a traditional Medicaid plan – for every person. These specialty integrated plans will have clinical expertise and comprehensive provider networks to address complex physical and behavioral health needs for those requiring such support. They will offer the higher-touch model of care of the public specialty behavioral health system, with the administrative infrastructure, management expertise, and full risk-bearing of traditional insurance companies.
- **Focus on the specialty population**. This new system will apply to individuals in Medicaid with significant mental health needs, substance use disorders, and intellectual or developmental disabilities. At a minimum, it will include those with managed physical and behavioral health care today (served by Prepaid Inpatient Health Plans, (PIHPs) and MHPs.)
    - We look forward to public input on whether and how to include unenrolled individuals, such as Medicare-Medicaid duals.
    - We are eager to better meet the needs of individuals with mild-to-moderate behavioral health needs. We will seek significant further discussion about how to manage the transition of individuals in and out of SIPs, expecting there will be some differences between populations served by PIHPs today and those served by SIPs in the future. However, given that the purpose of SIPs is to offer a higher-touch and specialized model of care to the highest need individuals, we do not propose including all individuals with mild-to-moderate needs in SIPs.
- **Multiple SIP options**. People will have choices between SIPs, allowing them to select the one that best meets their needs. Organizations looking to offer SIPs will bid for a MDHHS contract and then to attract members, driving accountability and improved performance. We expect to offer 3-5 SIP options to ensure meaningful choices for people, while at the same time sustaining sufficient membership in each plan for actuarial soundness.
- **SIPs offered by multiple types of organizations**. Organizations seeking to offer SIPs will need to be licensed Managed Care Organizations with the requisite networks, clinical expertise, and insurance administrative functions. We invite the public behavioral health system, health plans, providers, hospitals, and others to step forward and apply to lead SIPs. We encourage all parties to form partnerships that bring in complementary expertise, networks, relationships, and capital.
- **Preference for statewide SIP design**. Our preference is for all SIPs to be statewide for several reasons: to create economies of scale; to ensure sufficient access and choice for all Michiganders (including those in rural areas); to avoid provider networks that cut off at county lines; to reduce provider burden of managing many payers; and to ease oversight and administration. We recognize the strength in many existing regional partnerships and believe these can be incorporated into statewide SIPs or potentially scaled to the state level as such. However, we are open to further conversation and input about whether regional structures are advisable.
- **Call for a statewide public-led SIP**. Because we believe in the virtues of the public system and want to ensure all people have the option to continue receiving behavioral care managed by that system, we support the establishment of a statewide SIP run by the public behavioral health system. We also see significant opportunity for a statewide public behavioral health organization to support greater consistency and efficiency in management and oversight of the public safety net system. We look forward to input and further discussion about what specific components are necessary to establish and

protect the "publicness" of this plan. At a minimum, we propose that the public SIP should be formed by public entities (like CMHs). Public entities should control what partner organizations they bring in; and there should be governance by public-entity representatives.

- **Continuing to serve as providers for the whole system**. In addition to leading your own SIP, we expect that your member CMHs and providers will be included in the provider network for all SIPs in the future system. For some organizations, this will require building new capabilities to manage multiple payers and separating out managed care costs from service costs in your accounting systems. This will be an important transition in which we know CMHs can succeed through effective planning.

We hope that you and your member organizations answer our call and form a statewide organization capable of offering a SIP. We realize applying to be a SIP will require you to build significant new capabilities: a statewide legal and governance structure such as an independent practice association (IPA), physical health networks, centralized and standardized managed care functions, and administrative capabilities and risk reserves sufficient to achieve Michigan Department of Insurance and Financial Services licensure and CMS approval as a fully risk-bearing managed care organization.

Given our plan to launch the first SIPs in October 2022, we ask that you begin taking steps to establish this new organization so that you have sufficient time to form the necessary partnerships and structures to meet these requirements.

The public system has much to offer through a holistic managed care entity. Creating a SIP can secure the strength and vitality of Michigan's public behavioral health system for decades to come, delivering quality care for hundreds of thousands of Michiganders. However, if you do not anticipate being willing or capable of offering a SIP, please inform us as soon as possible.

Throughout January, we will be hosting public forums to hear from individuals served by our behavioral health system, and continuing to have smaller conversations with legislators, advocates, providers, health plans, CMHs, PIHPs, and other stakeholders. We aim to begin moving forward with more detailed planning and legislative changes shortly thereafter. We look forward to an ongoing conversation and collaboration with your members through this process. Please do not hesitate to let me know personally how I may assist in your deliberations.

Thank you for everything you do in service to the people of Michigan.

Sincerely,

Robert Gordon
Director

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