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TO: Christina Montague, Chair
Washtenaw County Board of Commissioners

THROUGH: Robert E. Guenzel
County Administrator

FROM: Kathleen Reynolds, Director
Community Mental Health

DATE: March 10, 1999

SUBJECT: Proposed Cuts to Community Mental Health Boards in the Executive Budget Bill

BOARD ACTION REQUESTED:

It is requested that the Board of Commissioners approve a resolution supporting the restoration of \$92.9 million to the Department of Community Health Budget to fully fund the Community Mental Health system in the State of Michigan

BACKGROUND AND DISCUSSION:

The recent Executive Budget presented to the State House of Representatives includes a \$92.9 million dollar shortfall in gross funding for the Community Mental Health System in Michigan. This shortfall is found in four major areas:

1. **Lack of Increased Funding for Medicaid Eligibles.** In October, 1999 the Washtenaw County Community Mental Health Board agreed to a two year contract with the State that would provide a capitated payment each month for each Medicaid eligible in Washtenaw County. This is routinely referred to as the per member per month (PEPM) capitation payment. If the number of eligible individuals in the County goes down, our payment goes down. If the number of eligible individuals goes up our payment should go up. The proposed budget provides no funding for an increase in the number of eligibles. If more Washtenaw County residents receive Medicaid, WCCMH would not receive any additional money to provide services. The Board would be expected to provide more with less. Statewide, an additional \$22,040,000 is needed to fund the projected increase in Medicaid eligibles for FY 1999/2000.

2. **HCFA 3% Increase.** The Health Care Financing Administration (HCFS) waiver provided for a 3% increase in the "upper payment limit" for the Medicaid program for FY 1999-2000. While this 3% increase in federal funds is reflected in the current budget proposal it must be matched with state funding. The budget proposes no new state funding for this match and suggests that CMH Boards can simply move the State match from their current state general fund (GF) used to support indigent care.

In FY 1998/99 Washtenaw County lost nearly \$2 million in general fund dollars for indigent care to match Medicaid dollars coming to the county. We cannot afford **any** more decreases in funding for indigent care. At Washtenaw CMH the numbers of indigent individuals, those with no ability to pay and no Medicaid, have steadily increased and are well over 50% of our service population. The reduction we received this year has threatened to create two levels of service: one for those with Medicaid and one for indigent consumers. Any further reductions in indigent funding will result in a reduction of service.

3. **Full Year Wage Pass Through.** Last year the Legislature passed specific wage increases for residential and day program staff that CMH Boards were required to pass through to employees. The full year wage pass through costs are \$13.7 million dollars. The proposed budget provides only \$3.2 million in state funding for this pass through. The other \$10.5 million appears to be coming from the Medicaid 3% referred to above. For the reasons noted above, it is essential that the Medicaid 3% increase go to Medicaid services and that the State provide the additional \$10.5 million for the wage increase from the state general fund.

4. **Adjustment to build in costs of inpatient expenditure adjustment.** The Michigan Association of Community Mental Health Boards had an agreement with the DCH and DMB that the FY 1999/2000 budget would be adjusted if psychiatric inpatient expenditures for FY 1998 exceeded \$88.6 million. Actual psychiatric inpatient expenditures exceeded this amount by nearly \$15 million. To satisfy this prior commitment \$15 million needs to be added to FY 2000 budget.

Finally Section 409 of the proposed bill calls for competitive bidding of Medicaid mental health program in this next fiscal year. This language is in conflict with the HCFA wavier language calling for competitive bidding in four years.

IMPACT ON HUMAN RESOURCES:

As this is a proposed budget it is too early to determine the impact on Human Resources. The past two years Mental Health Board has had small surpluses. Any cut in funding above the level of those small surpluses (\$200,000) could result in a future reduction in staffing.

IMPACT ON BUDGET:

If these reductions are approved there will be a reduction in the Community Mental Health State allocation. The level of that reduction is unclear at this time. Washtenaw CMH is the eighth largest Board in the State and as such could receive a proportionate cut in funding.

IMPACT ON INDIRECT COSTS:

Not applicable.

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

Nearly 50% of Washtenaw County's services are provided under contract with local non-profits. A significant reduction in funding to the Board, or a significant increase in the population to be served, without an increase in funding would affect the non-profits in the same way it effects the County's Community Mental Health Department. Contracts might need to be reduced and/or services provided to more consumers for the same level of funding as in previous years.

CONFORMITY TO COUNTY POLICIES:

This request conforms to the County Policies and Procedures.

ATTACHMENTS /APPENDICES

None

A RESOLUTION SUPPORTING THE RESTORATION OF \$92.9 MILLION TO THE DEPARTMENT OF COMMUNITY HEALTH BUDGET TO FULLY FUND THE COMMUNITY MENTAL HEALTH SYSTEM IN MICHIGAN

WASHTENAW COUNTY BOARD OF COMMISSIONERS

March 10, 1999

WHEREAS, the Executive Budget presented to the Michigan House of Representatives results in a loss of \$92.9 million in funding for the Community Mental Health System in Michigan; and

WHEREAS, the budget provides no increases in capitation payments for Washtenaw Community Mental Health for mental health and substance abuse services, even if the number of Medicaid eligible individuals in County increases; and

WHEREAS, the 3% increase in Health Care Financing Administration Funding requires a state general fund match; and

WHEREAS, the budget proposes that the State general fund match for the 3% federal increase come for current State General Fund allocations to CMH Boards for indigent care; and

WHEREAS, State General Funds for indigent care have already been reduced below acceptable levels; and

WHEREAS, full year cost of the wage pass through is proposed to be funded partially with the 3% Medicaid increase rather than State funds; and

WHEREAS, this potential loss of funds will result in a reduction of service and an inability to fulfill commitments made to consumers, family members, and providers of mental health services at the local County level; and

WHEREAS, this matter has been reviewed by the Washtenaw County Community Mental Health Board, County Administration, the Finance Department, Human Resources, Corporation Counsel;

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners requests the restoration of \$92.9 million in funding to the Department of Community Health Budget for the Community Mental Health system in Michigan and requests the assistance of the Washtenaw County delegation to the

State legislature in restoring these funds.

BE IT FURTHER RESOLVED that the Board of Commissioners directs the County Clerk to forward copies of this resolution to the Michigan Association of Counties and the remaining 83 counties

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