EXPECTATIONS AND PARAMETERS FOR THE SECTION 298 PILOTS
MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES

Premise

Section 298 of Public Act 107 of 2017 instructs the Michigan Department of Health and Human Services (MDHHS) to "…implement up to 3 pilot projects to achieve fully financially integrated Medicaid behavioral health and physical health benefit and financial integration demonstration models. These demonstration models shall use single contracts between the state and each licensed Medicaid Health Plan (MHP) that is currently contracted to provide Medicaid services in the geographic area of the pilot project." The boilerplate language further specifies the intended outcomes of these pilots, which include "...to test how the state may better integrate behavioral and physical health delivery systems in order to improve behavioral and physical health outcomes, maximize efficiencies, minimize unnecessary costs, and achieve material increases in behavioral health services without increases in overall Medicaid spending."

This document presents the department's current expectations of these pilots. While this document is not intended to be prescriptive, MDHHS has outlined certain parameters that define the structure of the pilots.

Introduction

Michigan has employed managed care structures within its Medicaid program for nearly two decades. Throughout that time, Michigan has been a recognized leader among other states for its managed care systems. Michigan has utilized a behavioral health carve out in the managed care structure since initially implementing it. The current structure funds physical health care services through contracts with licensed managed care organizations utilizing full risk funding arrangements and competitive contracting. Specialty behavioral health services, including services for those individuals with serious mental illness, serious emotional disturbance, intellectual/developmental disabilities, and substance use disorders, are managed by sole sourced, public prepaid inpatient health plans (PIHP) utilizing shared risk funding arrangements. Under the current, carved-out, arrangement, Michigan has established a broad array of services and supports for individuals with behavioral health needs.

While the current system has developed exceptional services and capacity, the current bifurcation of funding and services management has created challenges for the successful integration and coordination of physical and behavioral health care for those with multiple comorbid conditions. There is growing national recognition of the need to integrate care at the financing, service delivery and outcome measurement levels. In response to this trend, and in recognition of the long and successful history of Michigan's implementation of managed care structures and approaches, the Michigan Legislature has instructed MDHHS to implement pilots to test the impact of financial integration for physical health and behavioral health services.

Under the current system, two very significant and distinct benefit management philosophies coexist. These include a structure that centers around a Medicaid beneficiary, ensuring that appropriate healthcare services are accessible, coordinated and effective. This structure seeks to provide integrated physical and behavioral healthcare, as needed, to all beneficiaries. Simultaneously, this has also included a structure that is focused on managing the behavioral health needs of the community while

providing needed, integrated services to those individuals in need. It is the department's intent to preserve and integrate the values of each of these structures as it pilots financial integration.

To this end, all pilots will be expected to comply with current public policy requirements of Michigan's public behavioral health system. MDHHS also expects that all pilots will maintain the full, current array of services that are supported by the specialty services carve-out and related waivers, and required by current contracts. These expectations should drive the funding model employed by pilot participants. Additionally, both PIHPs and MHPs are required to comply with federal Medicaid managed care regulations, which include but are not limited to: requirements for access, provider network management and capacity, medical loss ratio, enrollee information, and grievance and appeals. These regulations will also apply to the implementation of required managed care functions within the pilot sites.

Pilot Expectations and Parameters

The Michigan Constitution and the Michigan Mental Health Code provide that the state shall maintain a system of care for Michigan's citizens with serious health issues. Additionally, the Mental Health Code requires that the county based community mental health system, when willing and able, shall be this "safety net" structure for behavioral health services. As such, the involvement of the local Community Mental Health Services Program (CMHSP) in providing and managing Medicaid services is required. For this reason, the department seeks to implement the pilots in geographic areas with a willing CMHSP. Consequently, the applicant for the pilot will be the CMHSP with support and involvement of all MHPs in the geographic area.

<u>Public Policy</u>

The public behavioral health system has been designed and modified to meet a number of public policy requirements which have continued to expand over time. These various policies and the resulting community and service structures, are integral to achieving goals and outcomes for individuals and communities. The current Prepaid Inpatient Health Plan (PIHP) contracts include a number of attachments detailing these policies, which include:

- Technical Requirement for Behavior Treatment Plans
- Person-Centered Planning Policy
- Self Determination Practice & Fiscal Intermediary Guideline
- Technical Requirement for SED Children
- Recovery Policy & Practice Advisory
- Reciprocity Standards
- Inclusion Practice Guideline
- Housing Practice Guideline
- Consumerism Practice Guideline
- Personal Care in Non-Specialized Residential Settings
- Family-Driven and Youth-Guided Policy & Practice Guideline
- Employment Works! Policy
- Jail Diversion Practice Guidelines
- School to Community Transition Planning

MDHHS has contractually required the PIHPs to ensure that these policies are appropriately applied to the Medicaid benefits provided. In the pilot locations, this responsibility will fall to the MHPs as the new contract holder. CMHSPs that apply to be pilot sites should work with all the MHPs within their geographic area to determine how ongoing implementation and compliance will be monitored and verified.

Service Array

A strength of Michigan's Specialty Behavioral Health systems is the comprehensive range of services and supports that have been made available to eligible consumers. It is the department's expectation that pilots will assure access to the required service array as defined in current contracts, applicable waivers and the Medicaid Provider Manual. Pilot applicants must demonstrate that (1) they are able to provide the required continuum of specialty behavioral health services and (2) that they have an adequate provider network to deliver these services. Pilot applicants must also describe how they will ensure continuity of authorized and medically necessary services during the period of transition.

Financial Considerations

Consistent with the requirements of PA 107 of 2017, the pilots will integrate physical health and behavioral health funding in a single contract with each licensed Medicaid managed care entity that is currently contracted to provide Medicaid services in the geographic area of the pilot. While this requirement is clear, there are two specific issues that this language does not address.

First, approximately 420,000 Medicaid beneficiaries are not enrolled in a MHP at any given time. For these individuals, physical health care services are delivered through a fee for service system managed by the state. Behavioral health services for these individuals are managed through the PIHP contracts. The capitation payments to the PIHPs for these individuals is slightly less than $800 million per year in state and federal funding. The PIHP's behavioral health services expenditures on this group is approximately $1.0 billion per year in state and federal funding. MDHHS is continuing to explore various methods of addressing the payment for, and provision of, benefits for these individuals.

Second, the Michigan Mental Health Code requires that publicly funded substance use disorder services be managed by a "department designated community mental health entity" (department designated CMHE). The Mental Health Code also defines certain requirements that a department designated CMHE must meet. MHPs do not meet the definition of an entity that qualifies to be a department designated CMHE. Consequently, MHPs in the pilot region must sub-contract with their CMHSP for the management of Medicaid funding for SUD services. The non-Medicaid SUD funding (i.e., community block grant and liquor tax funds), will be transmitted directly to the CMHSP in the pilot. The CMHSP will then be required to (1) meet the Mental Health Code requirements for the department designated CMHE and (2) manage the SUD service array. The CMHSP is expected to be able to demonstrate the necessary capacity and competency to provide the necessary SUD benefits management.

Applicants will be asked to explain the potential funding arrangements that will be employed between the MHPs and the CMHSP within the pilot region. Pilots offer an opportunity to test various alternative payment methodologies. The financial arrangements of a pilot will address the various "community benefit" functions of the CMHSP, such as various pooled funding arrangements, social services collaborative agreements and other relevant community activities.

The pilot sites will shift the behavioral health Medicaid funding from a shared risk contract with the PIHPs to a full risk contract with each MHP in the geographic area. Existing Medicaid risk reserves are held by the PIHPs, and the department does not intend to transfer any portion of the risk reserves to the CMHSP in a pilot. Any financial arrangement that passes downside risk to a CMHSP in a pilot must be approved by the Department.

Managed Care Activities

Federal regulations set specific requirements for the performance of most managed care functions. In the PIHP system, performance of many of the managed care functions are delegated to the CMHSPs within the region. This delegation is intended to support the community behavioral health management role of the public behavioral health system. In the physical health delivery system, the MHPs have well developed systems and structures for performing the required managed care functions in a way that is consistent with both regulatory and accreditation requirements. It will be important as part of administering managed care functions during the pilots to balance community presence, compliance and administrative efficiency. Pilot participants will be responsible for implementing managed care functions in ways that maximize efficiency (utilizing existing expertise and capacity), recognize necessary community presence when applicable, and comply with regulatory and contractual requirements.

Next Steps and Additional Resources

MDHHS anticipates issuing a Request for Information (RFI) in December that will be used to inform the selection of the pilot sites. Interested CMHSPs, in coordination with the MHPs in the geographic area, should respond to the RFI. Responses to the RFI (1) will address the topics within this document and (2) should reflect that discussions have occurred between the necessary parties who will be participating in the pilot.

This document should serve as a tool for discussion between interested CMHSPs and the MHPs in the same geographic area. Specifically, CMHSPs and MHPs are encouraged to discuss financing arrangements, performance of managed care functions and monitoring of public policy compliance.

Additional resources can be accessed through the following links:

- Barriers to Implementation Report - Section 298(9) of PA 107 of 2017
- Current Project Timeline for RFI Development, Site Identification, and Contract Development
- Description of the Current System from the Final Report of the 298 Facilitation Workgroup
- Michigan Medicaid Provider Manual