

Michigan's CCI System Is Broken.
Here's How We Can Fix This

I. Executive Summary:

Michigan's child caring institution (CCI) system for vulnerable youth in foster care and juvenile justice is in a state of emergency. Providers across the state report rising instability, regulatory dysfunction, diminished capacity, and increased danger to staff and youth. These conditions are not the result of poor practice, but of a system constrained by unrealistic policies, misaligned ideology, and a breakdown in collaboration between providers and the Michigan Department of Health and Human Services (MDHHS).

We urge the Michigan Legislature to take swift action to realign policy, regulation, and funding to support a sustainable, trauma-informed, and clinically sound residential care system. Without intervention, Michigan risks the collapse of critical residential services and further harm to the youth we are charged to protect.

II. Definition:

As defined by MDHHS, a child caring institution is defined in *the Child Care Organizations [Act 116 of 1973](#)*, as amended:

"...a child care facility which is organized for the purpose of receiving minor children for care, maintenance, and supervision, usually on a 24-hour basis, in buildings maintained by the institution for that purpose, and operates throughout the year."

Under MDHHS, the Division of Child Welfare Licensing (DCWL) is the licensing agency for Child Caring Institutions. As stated by MDHHS, the licensing staff inspect child caring institution programs for compliance with the requirements contained in the Administrative Rules for Child Caring Institutions and issues licenses.

III. Key Challenges Facing Residential Providers and Youth:

1. Disrupted Treatment and Harm to Youth Wellbeing:

Residential child caring institutions (CCIs) increasingly serve youth who have experienced extensive placement instability—some arriving after 20 to 40 prior disruptions. These young people often come with more acute trauma histories and increasingly complex behavioral and mental health needs, including high levels of aggression and dangerous behaviors.

The current system environment severely hinders effective treatment:

- a. Clinical care is disrupted, and the implementation of evidence-based practices is often unachievable.
- b. Enforceable behavioral boundaries have been diminished, which undermines structure, accountability, and therapeutic progress.

- c. Youth are too often placed in facilities based on bed availability rather than clinical appropriateness, resulting in mismatches that exacerbate trauma rather than promote healing.

This misalignment not only endangers the youth placed but also places other residents and staff at serious risk, threatening the safety, stability, and effectiveness of entire programs.

2. **Diminishing Capacity and Escalating Acuity:**

Michigan has lost a historic number of residential treatment beds, even as youth referrals increasingly involve higher levels of aggression and complex behavioral health needs. Many facilities are forced to take beds offline due to property damage, staff shortages, and safety concerns, all of which further strains the system and leads to placement delays, inappropriate admissions, and further harm to young people in care and employees.

3. **Rising Staff Injuries and Property Destruction:**

Child Caring Institutions (CCIs) are facing a dramatic surge in safety incidents and operational strain—threatening the long-term sustainability of programs designed to serve Michigan’s most vulnerable youth.

Providers across the state, including MCHS, are reporting significant increases in:

- Youth-on-staff assaults
- Peer-on-peer aggression
- AWOLs (youth running away)
- Property destruction and unsafe incidents

For example:

- MCHS has seen property damage costs have increased by over 200% in the past year.
- Christ Child House has seen staff injuries and safety issues more than double in the past year.
- Eagle Village has experienced a notable increase in staff turnover due to employees experiencing mental health and other issues
- Since January, Wedgwood has experienced an unsustainable 115% increase in assaults, a 174% increase in property damage, and a 488% rise in police contacts.

This rapid escalation compromises therapeutic environments and pushes programs further from trauma-informed care goals. These incidents are not isolated—they reflect a broader pattern emerging across Michigan. Providers are experiencing:

- Skyrocketing insurance premiums
- Rising workers’ compensation claims
- Increased unemployment costs
- Frequent licensing citations tied to circumstances outside their control

Despite these challenges, providers face limited recourse:

- Assaults on staff often go uncharged or unaddressed.
- Law enforcement calls have increased as much as 400% in some jurisdictions.
- Licensing agencies penalize providers for failing to prevent or control incidents, even when youth involved are larger, stronger, and deeply dysregulated—creating a dangerous double standard.

This unsustainable dynamic has exhausted frontline staff, undermined morale, and accelerated the loss of treatment beds statewide, compounding the crisis of capacity.

4. Regulatory Overreach and Misaligned Enforcement:

As previously shared, the current regulatory framework fails to account for the volatile and high-risk nature of residential treatment. Enforcement is inconsistent and driven by rigid interpretations of the Child Protection Law (CPL), including broad “threatened harm” findings that lack due process. Risk scoring systems are opaque and applied without adequate understanding of the residential setting.

5. Coercive and One-Sided Contracting Practices:

Recent state contract changes imposed by MDHHS are exacerbating the residential care crisis by forcing providers into untenable positions, undermining professional discretion, and destabilizing program funding models.

State contracts have been implemented with minimal provider input and a reliance on top-down mandates and financial pressure. Instead of collaborative planning, the state has adopted a “comply or lose funding” approach that threatens the quality and sustainability of care:

- Providers are now required to accept mandatory placements regardless of clinical fit.
- Refusing a placement—even when clearly inappropriate—results in the loss of a 9% financial incentive, tied directly to the per diem rate.
- Providers who contest placement decisions have no independent appeal process. The sole arbitrator is MDHHS, creating a biased and unilateral system.

These contracts, effective October 1, 2024, further destabilized residential programs:

- The majority of providers received base rate reductions, even as they are expected to serve higher-acuity youth.
- For example, agencies that offer a 3:1 ratio, the base rate was reduced by 6.5%, despite the mandate to accept youth with even more dangerous behaviors and high complex needs.
- The only option to recover the lost revenue is to accept every referral—regardless of safety, staffing capacity, or therapeutic appropriateness.

This model places providers in an impossible position: accept placements that jeopardize safety and treatment integrity or lose the financial margin necessary to maintain operations.

Lastly, providers are held liable but are not empowered to make decisions about safety or intake. The inability to exit youth from inappropriate placements increases liability and risk to all involved.

6. Strained and Imbalanced Relationship with MDHHS:

Providers who raise concerns face fear of retaliation and loss of funding. Subject matter experts are disempowered, decisions are made in silos, and the Department’s ideological commitment to the Building Bridges Initiative (BBI)—despite its misalignment with certain high-need youth programs—has created a disconnect between policy and reality. The Department’s view of residential care as “beds” rather than individualized treatment settings further erodes trust.

IV. Legislative Solutions and Policy Recommendations:

To restore a functional, ethical, and effective residential care system, we urge the Michigan Legislature to adopt the following reforms:

1. Regulatory Modernization and Due Process Protections
 - Mandate consistency in the interpretation of seclusion, restraint, and CPL provisions.
 - Direct MDHHS to adopt a trauma-informed regulatory model that allows for reasonable intervention in crisis situations.
 - Require that regulatory decision-makers have residential experience and that enforcement processes include an independent, third-party appeal mechanism.
2. Provider Clinical Autonomy and Full Youth Histories
 - Legislate that residential providers must have discretion to determine which youth are appropriate for their programs, based on clinical judgment and staffing capacity.
 - Prioritize clinical fit over bed availability to ensure placements are therapeutic and appropriate to youth needs.
 - Provide residential providers with the ability to enforce therapeutic boundaries, consistent with trauma-informed care and safety standards.
 - Require full disclosure of youth histories at the point of referral and allow time for collaborative assessment.
3. Fair and Transparent Contracting Practices
 - Prohibit coercive contracting and require mutual agreement between the state and providers.
 - Establish statutory guidelines for transparent and collaborative contract development, including reasonable timelines, performance expectations, and shared decision-making authority.

- Establish a provider advisory board to work collaboratively with MDHHS to develop, establish, and/or amend new contracts.
4. Investment in the Full Continuum of Residential Care
- Fund the development of a spectrum of residential options—including specialized high-acuity units—through capital grants, program expansion funds, and workforce development incentives.
 - Ensure youth with the most severe behavioral needs are not clustered together, but instead thoughtfully placed across programs to minimize risk to staff and peers.
 - Support the actuarial modeling of residential costs that reflects modern realities, cycle times, and staffing needs.

V. Conclusion:

We urge the Legislature to act now. The current trajectory places youth and staff at unacceptable risk, and Michigan’s residential treatment infrastructure is on the verge of collapse. Providers are ready to partner with the state to rebuild a system that is accountable, clinically sound, and youth-centered—but we need legislative leadership to bring balance, transparency, and reasonableness back to the table.

Together, we can restore stability to a broken system—and provide Michigan’s most vulnerable youth with the safety, healing, and hope they deserve.

Sincerely,

Christ Child House, Detroit, MI
Eagle Village, Hersey, MI
MCHS Family of Services, Redford, MI
Oakland Family Services, Pontiac, MI
Spectrum Human Services, Detroit, MI
Wedgewood Christian Services, Grand Rapids, MI