Testimony to Michigan House Medicaid and Behavioral Health Appropriations Subcommittee March 11. 2025

The Honorable Greg VanWoerkom, Chairperson

Bradley P. Casemore CEO Southwest Michigan Behavioral Health (SWMBH)

Greetings Chairperson VanWoerkom and Committee Members, thank you for permitting me to testify this morning. I am Bradley Casemore CEO Southwest Michigan Behavioral Health one of Michigan's ten Prepaid Inpatient Health Plans teaming with eight Community Mental Health Service Programs providing Medicaid behavioral health services to nearly 20,000 persons annually.

I will focus today on just one issue – the underfunding of the public behavioral health system and the statewide elevated expense pressures. In our region this has resulted in financial circumstances threatening the ability to provide services come this fall when two of our CMHs develop a negative cash flow situation with the PIHP resources also depleted.

Multiple factors have contributed to this situation chief among them under-estimated Medicaid capitation revenues combined with elevated expenses over several years:

- Serious declines in Medicaid redeterminations, eligibles and related revenues to the system.
- Double digit inflation in healthcare staffing and other costs.
- Pent up previously existing and new need and demand that emerged and remains subsequent to the Public Health Emergency.
- Cessation of federal American Rescue Plan and other resource infusions during the Public Health Emergency period.
- The State's actuary Milliman readily admits that Medicaid capitation rates are actuarily sound at the State level, but not necessarily actuarially sound at PIHP levels. While MDHHS provided an 11% overall rate increase to the system in FY25, an analysis of Region 4's fiscal year 2024 October through January revenue to fiscal year 2025 reveals only a 3.4% increase.
- The number of individuals served by Region 4 has continued to increase 2025 over 2024 resulting in increased costs.
- MDHHS has shifted the cost of caring for individuals experiencing the most acute need closing and limiting admissions to the state hospitals. This has shifted the cost of care from General Fund to Medicaid in tens of millions of dollars state-wide and resulted in higher demand for community inpatient psychiatric hospitals at rates higher than state hospitals and with those rates still climbing.

- MDHHS – Milliman recently released a fiscal year 2025 Rate Amendment in order to implement the statutorily required $66 per hour autism service unit rate. That rate increase was not provided to the public behavioral health system until March 2025, even though it was effective November 2024. Analysis of those rates show them as insufficient to cover known historical volumes let alone ongoing additional service needs. Additionally we have yet to see rate consideration for the statutorily required minimum wage changes or paid sick leave. Such after-the-fact funding undermines the stability and survivability of the public behavioral health provider system.

We have provided a detailed analysis of the drivers of revenue shortfalls and elevated expenses to the Committee in hard copy and electronically to Committee staff.

The Prepaid Inpatient Health Plans operate under a shared risk arrangement with the state where PIHPs are limited to a 7.5 % Risk Reserve Fund. As seen with several PIHPs over the last ten years this cap is wholly inadequate and once the Fund is depleted there is no mechanism for replenishing it.

My region is $10 million into the state's risk corridor for the fiscal year ended September 30, 2024 with a projection for state risk corridor entry of $20 million for fiscal year 2025. We expect the state to honor its risk-sharing funding contractual obligations for this region and others. Medicaid eligibles are entitled to medically necessary services which cannot be suspended terminated or reduced for financial reasons.

Our region remains committed to and capable of providing access to quality effective supports and services.

My Ask today on behalf of the system and our region is

- Familiarize yourselves with the current status and projections for Medicaid behavioral health services and funding. Multiple regions are in dire financial straits.
- Assure adequate Medicaid and General Fund resources for behavioral health services for fiscal years 2025 and 2026.

Thank you again for permitting me to testify.

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