



## **FY27 House Medicaid and Behavioral Health Budget Proposal**

### **Specific Mental Health/Substance Abuse Services Line items**

|   | <b><u>FY'26 (Final)</u></b> | <b><u>FY'27 (Exec Rec)</u></b> | <b><u>FY'27 (House)</u></b> |
|---|-----------------------------|--------------------------------|-----------------------------|
| -CMH Non-Medicaid services  | \$125,578,200               | \$125,578,200                  | \$125,578,200               |
| -Medicaid Mental Health Services  | \$3,188,847,900             | \$3,667,513,800                | \$3,329,969,700             |
| -Medicaid Substance Abuse services  | \$96,323,300                | \$84,902,600                   | \$84,902,600                |
| -State disability assistance program  | \$2,018,800                 | \$2,018,800                    | \$1,922,000                 |
| -Community substance abuse<br>(Prevention, education, and treatment programs) | \$79,207,900                | \$79,221,100                   | \$79,207,900                |
| -Health Homes Program   | \$50,239,800                | \$50,239,800                   | \$50,239,800                |
| -Autism services  | \$467,644,200               | \$560,716,600                  | \$560,716,600               |
| -Healthy MI Plan (Behavioral health)  | \$438,267,500               | \$525,256,200                  | \$375,780,500               |
| -CCBHC  | \$916,062,700               | \$916,062,700                  | \$916,062,700               |
| -Total Local Dollars  | \$9,943,600                 | \$9,943,600                    | \$9,943,600                 |

### **Other Highlights of the FY27 House Budget:**

#### **Actuarial Soundness**

House concurs with the Executive and includes \$658.1 million Gross (\$182.1 million GF/GP) for estimated managed care actuarial soundness adjustments for prepaid inpatient health plans (PIHPs) (3.0%), Medicaid health plans (5.0%), Program of All-inclusive Care for the Elderly (PACE) (3.5%), home- and community-based services (MI Choice) (6.8%), Integrated Care Organizations (MI Health Link) (4.3%), and Healthy Kids Dental (1.3%)

## **Medicaid Sustainability**

House budget does NOT include the Governor's proposed revenue increases:

- Tobacco Tax: forecast to generate \$232 million in FY27.
- Vape Tax: forecast to generate \$95 million in FY27 to be used for cancer prevention, smoking prevention, children's coordinated health care, and for the Medicaid Benefits Trust Fund.
- New internet tax rate on largest casinos: forecast to generate \$135.5 million in new tax revenue in FY27, with the majority going directly to the Medicaid Benefits Trust Fund.
- Per-Wager Sports Betting Tax: forecast to generate \$38.8 million for the Medicaid Benefits Trust Fund in FY27.
- Elimination of Free Play Deduction: eliminating this deduction is forecast to generate \$21.1 million for the Medicaid Benefits Trust Fund in FY27.
- Digital Advertising: the tax is forecast to generate \$282 million in FY27.

**House budget assumes \$300 million in GF/GP Medicaid cost savings. The executive budget offered \$150 million in efficiency savings identified in collaboration with stakeholders to address costs, accountability and resource effectiveness while maintaining sustainability of services.**

## **Behavioral Health Facility and Capacity Expansions**

### **Southeast Michigan State Psychiatric Hospital**

- House budget reduces the Executive Rec to \$32.9 million Gross (\$30.0 million GF/GP) and authorizes an additional 150.0 FTEs. House also divides line into adult and child and adolescent line items.
  - Governor's budget included \$72.2 million and 323.0 FTEs to begin operating SMSPPH (\$65.8 million general fund), bringing 264 new beds online and increasing total statewide capacity by 54 beds (32 adult beds and 22 pediatric beds). This investment includes operational support and hiring staff to provide services at the facility.

### **Other State Psychiatric Hospital Cost Adjustments**

- Executive includes a net increase of \$9.2 million Gross (\$19.7 million GF/GP) for state psychiatric hospital cost adjustments including, \$10.8 million GF/GP to offset less Medicaid reimbursable activities and \$7.2 million GF/GP for one-time costs for medical and business record systems and to purchase personal protection devices at Caro, Center for Forensic Psychiatry, and Kalamazoo.
  - House concurs except only provides \$1.2 million GF/GP for one-time costs

### **Federal Authorization Adjustments**

- House concurs with the Executive adds \$8.3 million in federal authorization for new psychiatric residential treatment facilities in Grand Rapids, Lansing, and Livonia that together are expected to bring 50 new transitional beds online.
- House concurs with the Executive adds \$3.0 million from the federal Mental Health Block Grant

#### **Crisis Stabilization Unit Expansion**

- House adds \$4.1 million GF/GP to expand the number of crisis stabilization units.

#### **Certified Community Behavioral Health Clinics (CCBHCs)**

- House concurs with the Executive and includes \$7.9 million GF/GP to offset a like amount of federal funds based on updated, anticipated federal cost reimbursements.

#### **Health Homes**

- House concurs with the Executive adds \$4.9 million GF/GP to account for a temporary enhanced Medicaid match ending for most of the behavioral health and substance use disorder health homes. Health homes receive a 90% enhanced federal match for its first 8 quarters.

#### **Health Care Workforce**

- House concurs with the Executive adds \$258.4 million to support 2025 and 2026 direct care worker minimum wage increases (\$87.3 million general fund), which preserves \$3.40 per hour in increased wages received by workers over the past two years. Currently, federal American Rescue Plan (ARP) funds that expire at the end of FY26 support these increases. This investment backfills the lost ARP funds with general fund to continue drawing down federal Medicaid match dollars.
  - House does NOT include \$69.5 million to support the 2027 direct care worker minimum wage increase of \$1.27 per hour (\$23.5 million general fund).
  - House does NOT include \$24 million to provide sick leave for direct care workers consistent with Public Acts 338 and 369 of 2018 (\$8.1 million general fund). Nearly all employers, such as those employing members of the direct care workforce, are required to provide paid sick leave to eligible employees. This investment transitions the cost to general fund and Medicaid matching dollars, as time limited ARP funds currently support this requirement.

#### **House Behavioral Health Boilerplate Changes**

**NEW: Sec. 226. U.S. Citizenship Requirement** – House prohibits DHHS from using state or federal funds to provide services to non-US citizens, except for qualified aliens under federal law. Excludes actions for the purpose of detaining non-U.S. citizens from this prohibition.

**NEW: Sec. 227. Prohibition on DEI Programs** – NEW House prohibits DHHS from using state funds on diversity, equity, and inclusion initiatives as defined in various federal Executive Orders.

**REVISED: Sec. 231, 264. Direct Care Worker Wage Increase and Report** – Revises by removing the specific direct care wage increase amount and replaces with the requirement to comply with expressly defined network adequacy standards for direct care workers and revises the report to include compliance with network adequacy standards and aggregated rates paid.

**REVISED: Sec. 917. Michigan Opioid Healing and Recovery Fund and Report** – House revises category amounts and removes DHHS ability to expend remaining funds on additional activities. From the funds appropriated in part 1 for opioid response activities, \$55,000,000.00 from the Michigan opioid healing and recovery fund must be allocated according to a detailed framework specifying funding amounts for primary prevention, harm reduction (including naloxone distribution), substance use disorder treatment, recovery supports, oversight, data, and Tribal community investments.

**REVISED: Sec. 924. Autism Services Fee Schedule** – Requires DHHS to maintain a fee schedule for autism services by not allowing expenditures used for actuarially sound rate certification to exceed the identified fee schedule, also sets behavioral technician fee schedule at not less than \$66.00 per hour. **House revises so that behavioral technicians receive not more than \$66.00 per hour.**

**NEW: Sec. 925. Autism Services Quality Control** – House requires DHHS to dedicate up to \$1.0% from the autism line to contract with an independent agency to identify fraud, institute quality control measures, and provide technical assistance to improve outcomes and accountability.

**RETAINED: Sec. 965. Methadone Medication Assisted Treatment** – House retains Requirement that the bundled rate H0020 for methadone administration and services be maintained at not less than \$19.00.

**RETAINED: Sec. 994. National Accreditation Review Criteria for Behavioral Health Services** – House retains Requires DHHS to seek, if necessary, a federal waiver to allow a CMHSP, PIHP, or subcontracting provider agency that is reviewed and accredited by a national accrediting entity for behavioral health care services to be in compliance with state program review and audit requirements; requires a report that lists each CMHSP, PIHP, and subcontracting provider agency that is considered in compliance with state requirements; requires DHHS to continue to comply with state and federal law not initiate an action by negatively impacts beneficiary safety; defines “national accrediting entity.”

**RETAINED Sec. 1002.** Prohibition on using appropriated funds to expand the certified community behavioral health clinic (CCBHC) demonstration.

**REVISED: Sec. 1005. Health Home Programs** – House revises to permit DHHS to submit a legislative approval to expand the number of health homes and revises the report to list the number of health homes that qualify for enhanced federal reimbursement and the date when the enhanced federal reimbursement expires.

**RETAINED: Sec. 1006.** From the funds appropriated in part 1 for certified community behavioral health clinics, the department shall submit the CCBHC cost efficiency evaluation to the standard report recipients not later than 7 business days after receipt of the final information required from the relevant contractors (clarifying language updated).

**REVISED: Sec. 1034. PIHP Performance Incentives** – **House revises so performance incentives are tied to compliance with network adequacy standards rather than reimbursement rates.** Requires PIHP to verify compliance with applicable reimbursement rates or fees required for autism services and direct care in section 924 and 231 using actual claims and utilization data; requires DHHS to seek CMS approval to condition PIHP performance incentives on compliance with the provider rates for autism services and direct care in section 924

and 231; and requires DHHS to audit the claims and utilization data and notify a PIHP if the audit determines provides are not being reimbursed at not the required rates.

**NEW: Sec. 1521.** HMP Community Engagement Compliance – House requires implementation of federal community engagement requirements for Medicaid expansion population.

**NEW: Sec. 1522.** Medicaid Eligibility Verification Data Retrieval – House prohibits self-attestation for certain eligibility information; requires submission of periodic data requests from various state and federal government entities; requires periodic data review for eligibility verification; requires data-sharing agreements, where necessary; allows for third-party contracting for data review; and requires immediate eligibility redetermination for applicable Medicaid recipients.

**NEW: Sec. 1525.** Medicaid Payment Error Report – House requires a report on erroneous Medicaid payments.

**NEW: Sec. 1526.** Medicaid Retroactive Coverage Compliance – House requires compliance with retroactive coverage provisions of H.R.-1.

**NEW: Sec. 1527.** Medicaid Waiver Budget Neutrality Report – House requires department to report on Medicaid waiver budget neutrality calculations.

**NEW: Sec. 1528.** Targeted Medicaid Provider Prohibition – House prohibits specified family planning services providers from participation in the state Medicaid program.

**NEW: Sec. 1529.** Medicaid Community Engagement Implementation Requirement – House prohibits the department from requesting a good-faith-effort waiver from CMS to extend the implementation deadline for Healthy Michigan Plan community engagement requirements, and requires the department to report on the implementation.

**NEW: Sec. 1530.** Medicaid Waiver Approvals – House prohibits the department from requesting or implementing a CMS waiver or Medicaid State Plan amendment prior to statutory approval.

**NEW: Sec. 1762.** Medicaid Health Plan – Medical Loss Ratio – House requires department to ensure adherence to CMS guidance for Medicaid health plans medical loss ratio requirements.

**REVISED: Sec. 1803.** Rural Health Transformation Program – House revises to require a report on revised grant award, and identify proposals to increase grant award; report on all reports submitted to CMS; require point-in-time expenditure-triggered reports; specify dashboard metrics, and require their public availability; require quarterly reports on MIHIN expansion; require prioritization of department personnel for administrative operations, and report on administrative costs for Michigan Public Health Institute contractual services; explore the development of a regional value-based care payment demonstration, and provide a report; allocate \$6.4 million to the MiDocs Consortium for general OB-GYN slots in rural areas; provide for quarterly stakeholder meetings; require revised grant application include for direct payments to rural hospitals; and require all reports to be available on the grant website

**NEW: Sec. 1881.** Medicaid Managed Care Cost Savings Review – House requires department to collaborate with health plans to conduct a 15 year policy review, identify cost savings, and report on recommendations; and requires cost-savings recommendations implementation.

**NEW: Sec. 1890.** Medicaid Resource Optimization – House requires department to identify optional Medicaid services and administrative overhead-related reductions to provide for negative appropriations item in Part 1.