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BILL



ANALYSIS

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Senate Bill 421 (as introduced 4-1-10)
Sponsor: Senator Gilda Z. Jacobs
Committee: Families and Human Services

Date Completed: 4-23-10

CONTENT

The bill would amend the Mental Health Code to require the Department of Community Health (DCH) to develop a two-year plan to reduce the number of community mental health services programs (CMHSPs) to 18, and, beginning October 1, 2012, prohibit the Department from contracting with more than 18 CMHSPs.

Specifically, by September 30, 2010, the Department would have to provide the Legislature with a two-year plan and timetable for limiting the number of CMHSPs to 18. The plan would have to include strategies to assure the opportunity for local citizen input and involvement in multicounty CMHSPs.

Beginning October 1, 2012, the DCH could not contract with more than 18 CMHSPs. Each contract would have to address responsibility for services and populations that are and are not covered through Medicaid.

The Code permits the DCH to establish geographic service districts for its facilities. The bill also would permit it to establish geographic districts for the purpose of contracting for community mental health services and determining desired geographical areas to be served by CMHSPs.

MCL 330.1122 & 330.1202

BACKGROUND

The Code defines "community mental health services program" as a county community mental health (CMH) agency, a CMH organization, or a CMH authority. A county CMH agency is an official county agency. A CMH organization or a CMH authority is a public governmental entity separate from the county or counties that establish it. The State is required to support CMHSPs financially as provided in the Code, which imposes a portion of the financial liability on the counties.

The Department of Community Health currently has contracts with 46 CMHSPs, which served an estimated 220,000 individuals in 2009, according to the Department's website. The CMHSPs provide community-based behavioral and mental health services to individuals with mental illness, developmental disabilities, and addictive disorders.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

Non-Medicaid community mental health services are provided by the 46 CMHSPs. Medicaid mental health services are provided, on a capitated basis, by 18 prepaid inpatient health plans (PIHPs). The PIHPs are individual CMHSPs and groups of CMHSPs.

The Federal government, in granting the waiver to allow a managed care model for mental health services, required that each PIHP cover at least 20,000 Medicaid clients. This requirement was included to ensure efficiency due to economies of scale. Because many smaller CMHSPs did not have 20,000 Medicaid clients within their catchment areas, they had to band together to form multi-CMHSP PIHPs.

While the legislation would not specifically require that non-Medicaid CMH services be provided by the 18 PIHPs, the proposed limit of 18 CMHSPs does imply the implementation of a geographic model similar to the PIHP system.

It is difficult to estimate precisely the savings from consolidating 46 CMHSPs into 18 CMHSPs. Administrative costs would certainly be reduced as many of the smaller CMHSPs could reduce the number of supervisory staff. Separation costs would result in a one-time expense, but over time expenditures would be marginally reduced. Savings also could be seen due to economies of scale in contracting for services.

The Governor's FY 2010-11 budget assumed \$3.8 million in savings in the CMH non-Medicaid line from administrative changes. These changes, as described by the DCH, were related to potential economies of scale. It is likely that passage of Senate Bill 421 would lead to contractual savings on a scale similar to that projected in the Governor's FY 2010-11 budget. Further savings from reduced central staff would likely be of a smaller magnitude, as the CMHSPs that would consolidate would likely be the smaller ones.

Fiscal Analyst: Steve Angelotti

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.