MDHHS PIHP PROCUREMENT PROPOSAL

FAQ

Understanding the Proposed Changes to Michigan's Public Mental Health System

Last updated: July 2025

Compiled by LifeWays using information from the Community Mental Health Association of Michigan (CMHAM), conference presentations by CMHAM CEO Bob Sheehan and Associate Director Alan Bolter, and MDHHS procurement documents.

WHAT IS MDHHS PROPOSING?

01.

The Michigan Department of Health and Human Services (MDHHS) has released a **Request for Proposals (RFP)** for restructuring the state's Prepaid Inpatient Health Plan (PIHP) system. The proposal would:

- Redraw the state from **10 PIHP regions down to three**
- **Remove local decision-making authority** from current PIHPs and CMHSPs (Community Mental Health Services Programs)
- Allow new regional entities — including **private health plans** — to manage Medicaid Specialty behavioral health funding and services
- **Reduce/eliminate local decision making** for the county governments related to Medicaid Specialty behavioral health services in their communities

As currently written, **existing PIHPs would not be eligible to submit a proposal** without significant reorganization, effectively dismantling the public mental health system that has existed for over 60-years.

WHAT ARE PIHPs + CMHSPs, AND HOW DOES FUNDING FLOW THROUGH THEM?

02.

Michigan's public mental health system uses a **county-based model**, where services are delivered locally by **Community Mental Health Services Programs (CMHSPs)** and managed regionally by **Prepaid Inpatient Health Plans (PIHPs)**.

- **PIHPs** are regional entities that **contract with MDHHS** to manage Medicaid behavioral health dollars. They receive funds from the state and distribute them to CMHSPs and other providers, while also handling oversight and reporting.
- **CMHSPs**, like LifeWays, are local public agencies that **provide direct behavioral health services** — such as therapy, case management, crisis care, and supports for people with serious mental illness, developmental disabilities, and substance use disorders. They receive funding from their PIHP to deliver these services in their communities.

In short: **funding flows from MDHHS → PIHPs → CMHSPs**, ensuring that **local agencies make care decisions based on community needs.**

The proposed PIHP procurement would disrupt this structure by removing funding and decision-making from CMHSPs and shifting control to new regional entities — some potentially private or out-of-state.

WHY IS THIS CONCERNING?

03.

According to the Community Mental Health Association of Michigan (CMHAM), this proposal would:

- **Eliminate local governance and oversight**
- **Disrupt long-standing relationships** between counties, CMHSPs, and PIHPs
- **Allow private, non-local health plans** to control behavioral health funding and service utilization
- **Weaken accountability** by removing requirements to comply with the Open Meetings Act and FOIA
- **Strip consumer voice** by removing mandates for people with lived experience to serve on governance boards

As currently written, **existing PIHPs would not be eligible to submit a proposal** without significant reorganization, effectively dismantling the public mental health system that has existed for over 60 years.

WHAT IMPACT WILL THIS HAVE ON FUNDING?

04.

- Public PIHPs in Michigan currently operate with an **average administrative cost of 2%.**
- Private health plans — eligible under this proposal — are allowed to keep **up to 15%** for administration and overhead, the federal medical loss ratio standard.
- According to CMHAM, this would result in a **projected $500 million loss annually** to direct behavioral health services.

(Source: CMHA presentations, June 2025)

WILL THIS IMPROVE SERVICES?

05.

There is no evidence that this change will improve care. In fact, CMHAM and national data from other states with similar models show:

- **Increased wait times**
- **Lower service quality**
- **Decreased provider rates**
- **High provider turnover and closures**

The proposal is based on a **medical model** that fails to reflect the complexity of behavioral health care and community-based services.

WHO WILL THIS AFFECT?

06.

This proposal will impact **some of Michigan's most vulnerable residents**, including:

- **Children with serious emotional disturbance (SED)**
- **Adults with serious mental illness (SMI)**
- **People with intellectual or developmental disabilities (I/DD)**
- **Individuals with substance use disorders (SUD)**
- **Families and caregivers who rely on local support systems**

Under the proposed changes:

- These individuals may experience **delays or denials of essential services** due to the loss of local authority to approve care.
- **Critical services** like Community Living Supports (CLS), respite care, and specialized residential services — designed to support people with complex needs — would be harder to access in a centralized or privatized system.
- The system would return to a **fee-for-service model,** which does not work well for behavioral health. It was previously abandoned in 1996 because it led to fragmented care and limited flexibility in meeting individual needs.

A fee-for-service model pays providers for each individual service they deliver — such as a visit, test, or session — based on approved billing codes. While common in medical care, it often fails to meet the needs of behavioral health, where care is ongoing, complex, and less easily billed in isolated units.

DOES THIS PROPOSAL FOLLOW MI LAW?

07.

As written, the proposal may **violate several key Michigan laws:**

- **Michigan Mental Health Code**
  Requires local governance, county delegation, and consumer involvement in behavioral health oversight. The new model would remove or severely limit these elements.
- **Michigan Social Welfare Act**
  Establishes the role of county governments in delivering welfare services. The proposal bypasses counties, reducing or eliminating their decision-making role.
- **The Headlee Amendment**
  Prohibits the state from shifting responsibilities to local governments without funding. By restructuring CMHSPs without compensation or input, this may trigger a constitutional conflict.

These concerns have been raised publicly by CMHAM leadership, including CEO Bob Sheehan and Associate Director Alan Bolter, during board and conference presentations in May and June 2025.

Additionally, **MDHHS has not yet submitted this proposal to the Centers for Medicare & Medicaid Services (CMS)** — a required step for federal approval of Medicaid funding changes.

ISN'T THIS JUST A PAYMENT MODEL CHANGE?

08.

No. This proposal goes far beyond a change in how providers are paid. It would:

- Allow **private, non-local entities** to control public mental health dollars
- Remove **consumer voice** and eliminate requirements for **local board oversight**
- **Privatize** the behavioral health system, favoring bidders with no local presence or track record
- **Undermine** decades of public infrastructure and investment
- **Eliminate transparency and accountability** by removing requirements for public entities to follow the **Open Meetings Act and Freedom of Information Act (FOIA)**

These changes dismantle core principles of Michigan's public mental health system: local control, public input, and transparency.

WHAT IS CMHAM DOING ABOUT THIS?

09.

CMHAM is actively opposing this proposal and engaging in **legislative advocacy**, urging policymakers to halt the process. They've launched an **Action Alert platform** to help providers, staff, and the public contact their legislators.

You can learn more and participate at:
🔗 https://cmham.org/advocacy/take-action-now

WHAT CAN I DO?

10.

- **Learn more** through CMHAM and LifeWays updates
- **Contact your legislators** using the CMHAM Action Alert tool
- **Encourage others** — staff, family, and community members — to take action
- **Support transparency and local control** in behavioral health care