

Concerns Regarding MDHHS PIHP Contract Procurement Proposal

BACKGROUND: Earlier this year, the Michigan Department of Health and Human Services (MDHHS) recently issued a [press release](#) and posted on its [Specialty Behavioral Services webpage](#) information regarding the Department's proposal to bid out the contracts of Michigan's public Prepaid Inpatient Health Plans (PIHP).

CONCERNS: This plan:

1. Does not eliminate an administrative layer in Michigan's public mental health system. Instead, it replaces a public managed care system, that is transparent and low cost (2% overhead) with a **private managed care system that is not transparent, has a failed track record of managing Medicaid behavioral health in Michigan, is far more costly (15% overhead resulting in \$500 million in additional overhead costs**, coming out of dollars currently available for services), and is the model that, in the states in which such privatization has been implemented, has harmed persons served and the provider networks that have long served them. See below for more on the flaws in the MDHHS proposal.

2. Is not required by the federal Centers for Medicare and Medicaid Services (CMS). MDHHS leadership has repeatedly indicated that the Department was pursuing the bid-out of those contracts in compliance with a requirement by the federal Centers for Medicare and Medicaid Services (CMS) to halt its 27-year long sole source arrangement with these PIHPs and to reprocure those contracts including private health plans as bidders. In a [recent response to a FOIA request](#), MDHHS indicated that **"CMS has not required that we change or halt our sole source process."**

3. Will dramatically reduce access to and quality of behavioral healthcare for hundreds of thousands of Michiganders depend upon **by cutting \$500 million out of the system** – the result of the administrative overhead of private plans health plans, at 15%, compared with the 2% overhead of the state's PIHPs. This cut will only compound those proposed by the Trump administration and the US House.

4. Moves the management of the entire Medicaid behavioral health system, serving persons with complex and serious mental health needs to private plans who have proven unable to adequately manage the behavioral health benefit for those Michiganders with far milder mental health needs.

5. Mirrors failed privatization efforts of other states. Studies conducted in [2016a](#), [2016b](#), [2022](#) found that behavioral health system privatization led to service fragmentation, reduced access, and diminished provider networks.

6. Eliminates the public behavioral health safety net role of the state's CMHSPs by ignoring the statutorily defined role of the CMHs as the state-designated community-based behavioral health provider and purchaser of care, relegating them to being one of a number of fee-for-service providers in the new managed care organization's network.

7. Eliminates the transparency currently guaranteed by law. Current public entities are subject to the **Michigan Open Meetings Act** and **Freedom of Information Act**, ensuring a high degree of transparency. Private health plans are not bound by these requirements, leaving critical decisions about public funds and services outside the public eye

8. Fails to address the root causes of existing access issues: behavioral health workforce shortages, chronic underfunding, crisis and inpatient capacity needs, and MDHHS-imposed unnecessary administrative burdens. The [analysis of the responses](#) of the 2,600 respondents to the MDHHS on system strengths and needed improvement – designed to guide the Department's efforts to advance the system - found that **none of the themes most frequently contained in the survey responses call for the contract bid-out approach proposed by MDHHS** nor for for the management of the state's Medicaid behavioral healthcare system/benefit by private non-profit health plans.

9. Prohibits the state's current PIHPs from bidding while prioritizing bids from private non-profit health plans/health insurance companies. Some of Michigan's largest private health plans/health insurance companies are private non-profit organizations: Blue Cross/Blue Shield, Priority Health, McLaren Health Plan, and HAP.

10. Is strongly opposed by Michiganders. A study of Michiganders, conducted by [EPIC-MRA](#), found strong public opposition to the privatization of the state's public mental health system.