



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
7500 Security Boulevard
Baltimore, MD 21244-1850

JUN 26 1998

Mr. James K. Haveman, Jr.
Director
Michigan Department of Community Health
Lewis Kass Building, 6th Floor
320 South Walnut
Lansing, Michigan 48915

Dear Mr. Haveman:

We are pleased to inform you that the Health Care Financing Administration (HCFA) is approving, with certain conditions, your request to implement a 1915(b)(1) and (b)(4) waiver for Medicaid Prepaid Specialty Mental Health and Substance Abuse Services and a combination 1915(b)(c) waiver for Medicaid Prepaid Specialty Services and Supports for Persons with Developmental Disabilities. Although the revised 1915(c) Habilitation Supports Waiver Program will be operating concurrently with the 1915(b) programs, each is considered an independent program that exists on its own merit.

Michigan's Department of Community Health (DCH) proposes to contract (on a sole source basis) with county-sponsored Community Mental Health Services Programs (CMHSPs) to manage and provide Medicaid mental health, substance abuse, and developmental disabilities (DD) services and supports under a prepaid shared risk arrangement. Also, the DD habilitation supports waiver 1915(c) will continue, so that qualified individuals on the (c) waiver will also receive (b) waiver services.

This approval decision is based on the evidence submitted to HCFA demonstrating that the State's proposal is consistent with the purposes of the Medicaid program and will meet all statutory and regulatory requirements for assuring beneficiaries access to care, quality of services and waiver cost-effectiveness for section 1915(b) programs. Please note that our approval is contingent upon the factors listed below:

Competitive Procurement - HCFA is granting Michigan in this first approval letter a deviation from the open procurement rules as provided in 45 CFR 74.4. However, the State will:

1. Provide to HCFA no later than two years from the approval date of this waiver, a detailed plan to shift from sole source procurements for its Prepaid Health Plan (PHP) contracts to full and open competitive procurements which comply with the Federal procurement rules at 45 CFR Part 74. This plan must be approved by HCFA as part of the approval process for the first renewal application for this waiver. The plan must detail how the State:

Page 2 - James K. Haveman, Jr.

- (a) will facilitate the development of and entry into the marketplace quality private sector participants (including for-profit and not-for-profit entities); (b) will assist county mental health boards and other interested public entities, if any, to prepare to compete on equal footing with private sector competitors; and (c) will include beneficiaries and their families in the preparation process to ease their transition to an open marketplace and to minimize disruption in their care and services should new entities become their managed care plans.
2. Ensure that prior to the completion of the first renewal period, within four years of the initial approval of this waiver, all contracts coming up for renewal will be openly and competitively bid.
 3. Enter into contracts with county mental health boards subsequent to the approval of this waiver that will be of no longer duration than 36 months, in order to ensure that new, openly and competitively bid contracts can and will be awarded prior to the end of the first renewal period, no later than four years after the initial approval date of this waiver.

Nothing in this language is intended to inhibit the State from transitioning to open and competitive procurements on a more rapid schedule, and HCFA strongly encourages the State to do so.

Independent Assessment

The State must arrange for an independent assessment of the (b) waiver program with respect to access to care, quality of services, and cost effectiveness. The assessment must be submitted no later than three months before the expiration of this waiver authority, but preferably sooner. We will expect this document to be a detailed, comprehensive assessment of the waiver program. Toward that end, we request that the State share the planning document for the assessment with us prior to the start of the review.

Data Collection

The Michigan DCH will require CMHSP and Coordinating Agencies (CA) to submit aggregate data on State established performance indicators in the areas of access, efficiency and outcome, as indicated in Appendix B.4 of the Waiver Document. A Michigan DCH analysis of this data will be shared with HCFA. The first report will be due to the Chicago Regional Office within 15 months after the effective date of contracts.

The Michigan DCH will collect summary encounter data on alternative services, as reflected in Appendix A.5, that are provided to participants in the section 1915(b) waiver. The State will collect data to determine the annual number of recipients receiving alternative services, the type of alternative services provided and the number of service units provided. A report, including an analysis of this data, will be provided to HCFA annually, and the first report will be due to the Chicago Regional Office within 15 months after the effective date of contracts.

Page 3 - James K. Haveman, Jr.

Cost Effectiveness

Intergovernmental Transfer - All payments to the CMHSPs, with the exception of payments made for the costs of the Michigan Children's Waiver Program, are included in the capitation rates and the amounts paid will remain with the CMHSPs and not be returned to the State as an Intergovernmental Transfer.

Revision of State Plan - The State will revise its State Plan prospectively to more clearly reflect its actual payment methodology, absent a capitation contract, with respect to "mental health clinic services" (as referenced in Attachment 4.19B of the most recently approved State Plan).

Upper Payment Limit (UPL) - The developmental disability supports and services aggregate UPL and specialty mental health and substance abuse per capita UPL identified for Year 2 of the waiver in the June 18, 1998 submission will be treated as the Year 1 UPL. For purposes of this waiver approval, Year 1 of the waiver reflects the year beginning October 1, 1998 and Year 2 of the waiver reflects the year beginning October 1, 1999.

Aggregate Capitation Limit - For Year 1 of the waiver, beginning October 1, 1998, the State will not receive Federal matching funds in excess of the aggregate UPL established in the waiver application for developmental disability supports and services.

Year 2 Cost Effectiveness Calculations - By August 3, 1998, the State will submit to HCFA for review and approval Year 2 cost effectiveness calculations based on a per capita methodology for both developmental disability supports and services and specialty mental health and substance abuse services. The cost effectiveness calculations will be based on State historical trends for inflation, utilization, policy changes, etc., for developmental disability supports and services and specialty mental health and substance abuse services. If the cost effectiveness information is not submitted by this date, then the UPL calculated for Year 1 of the waiver will be applied to Year 2 of the waiver.

Quality

The Michigan DCH will require CMHSPs and CAs to report, review, investigate and act upon sentinel events for persons living in 24-hour specialized settings and those living in their own homes receiving ongoing and continued personal care services as outlined in Appendix B.4 of the Waiver Document. This information will be reported in aggregate to DCH semiannually. A report, including an analysis of this data, will be provided to HCFA within 15 months after the effective date of this waiver, and annually thereafter.

The Michigan DCH will require CMHSPs and CAs to provide initial and ongoing training to staff including, but not limited to, areas related to abuse and neglect, behavior management, person-centered planning, and crisis management.

DMH DIRECTOR OFFICE

Fax: 1-517-335-3090

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Page 4 - James K. Haveman, Jr.

C WAIVER APPROVAL CONDITIONS

The existing, approved Michigan Habilitation/Supports Home and Community-Based Services (HCBS) Waiver which is authorized under section 1915(c) of the Social Security Act allows the State to provide home and community-based services to persons who require an ICF/MR level of care. Your revised amendment to this existing HCBS waiver has been approved and has been assigned Control Number 0167.90.R1.04, which should be used in all future correspondence.

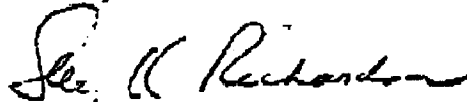
Specifically you requested a revision to Appendix B-2, Provider Qualifications (pages 20, 21, and 22) and Appendix F, Audit Trail (pages 41 and 42). Based upon your request and the information provided, we are approving this amendment effective October 1, 1998.

HCFA recognizes and appreciates the good faith negotiations that took place with the Michigan State DCH while these waivers were under review and being revised. We particularly commend the way the State has opened up the entire waiver process to participation by consumers, family members, and advocates. We look forward to continuing discussions with the State and with interested members of the public as the challenging implementation process unfolds.

In accordance with your request, this approval grants the State of Michigan waiver authority under sections 1915(b)(1) and 1915(b)(4) of the Act for a period of two years from October 1, 1998 through September 30, 2000. Michigan may request that this authority be renewed at the end of this time period.

If you have any questions regarding this action, please contact Mr. Walter Kummer, Associate Regional Administrator, Division of Medicaid in Region V, at (312) 353-9805.

Sincerely,



Sally K. Richardson
Director

cc: Mr. William Allen, Deputy Director of Mental Health and Substance Abuse Services,
Michigan DCH
Mr. Robert Smedes, Deputy Director, Medical Services Administration, Michigan DCH
Mr. Walter Kummer, Associate Regional Administrator, Division of Medicaid in Region V



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN ENGLER

GOVERNOR

FOR IMMEDIATE RELEASE

June 29, 1998

CONTACT: John Truscott
(517) 335-6397

Engler Announces Approval of Community Mental Health Services Waiver

Innovative Plan is First in the Nation

Governor John Engler today announced that Michigan has received a waiver from the Department of Health and Human Services, Health Care Financing Administration (HCFA) for Medicaid prepaid specialty mental health and substance abuse services, and a combination waiver for Medicaid prepaid specialty services and supports for persons with developmental disabilities.

"This waiver is outstanding news in our efforts to provide the highest level of care for persons with mental illness and developmental disabilities," said Engler. "Now individuals will have much more flexibility and choices when it comes to their services and supports. This is another step in the right direction for Michigan's public health care system, which will assure access and quality for consumers, while maintaining costs at reasonable levels."

Under this waiver, the Department of Community Health will contract with Community Mental Health Service Programs to manage and provide Medicaid mental health, substance abuse, and developmental disability services and supports under a prepaid, shared-risk arrangement. The waiver for persons with developmental disabilities will continue so that qualified individuals on this waiver will also receive the new waiver services.

"Michigan is the first state in the nation to offer this innovative plan," said Department of Community Health Director James K. Haveman, Jr. "We can now proceed with new managed-care contracts with all Community Mental Health Service Programs and implement new Medicaid managed-care contracts with the coordinating agencies. This is a great day for Medicaid enrollees who are in need of mental health, substance abuse, or developmental disability services."

In a letter from the Department of Health and Human Services, Center for Medicaid and State Operations Director Sally K. Richardson stated, "HCFA recognizes and appreciates the good faith negotiations that took place with the Michigan Department of Community Health while these waivers were under review and being revised. We particularly commend the way the State has opened up the entire waiver process to participation by consumers, family members and advocates."

(more)

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The waiver was also applauded by Michigan's Community Mental Health Service Programs. "The approach to managed care enabled by this waiver will maintain accountability to local units of government, preserve the public mental health safety net for person with severe and persistent mental illnesses and developmental disabilities and permit any savings to be reinvested to enhance local services," said Michigan Association of Community Mental Health Boards Executive Director David LaLumia.

The waiver is for a two-year period beginning October 1, 1998 and ending September 30, 2000. Under the terms of the waiver, the Department of Community Health must also arrange for an independent assessment of the waiver program with respect to access to care, quality of services and cost-effectiveness. The waiver also includes detailed requirements regarding data collection, cost-effectiveness, and quality assurance.

"This is a major breakthrough for Medicaid managed care for persons with long-term disabilities," said Deputy Director of Mental Health & Substance Abuse Services William J. Allen. "All the major advocacy and provider organizations were involved in the development of the waiver and managed-care plans, with the advocacy organizations representing persons with developmental disabilities especially anxious to begin implementation."

This will be the first comprehensive, prepaid plan for Medicaid long term supports for persons with developmental disabilities in the country. The plan calls for person-centered planning, pre-paid funding and a great deal of flexibility in terms of services and supports. Under the waiver, Community Mental Health Service Programs will provide or authorize the full range of mental health services to Medicaid enrollees and will do so with much more flexibility and in a more responsive manner for consumers than is the case under the current Medicaid system. All services and supports for persons with developmental disabilities or mental illness will be provided utilizing a person-centered plan in accordance with the revised mental health code. In addition, the 15 local coordinating agencies will be responsible for authorizing substance abuse services for Medicaid enrollees.

The Department of Community Health is currently in the process of finalizing new managed-care agreements with the 49 Community Mental Health Service Programs and 15 Substance Abuse Coordinating Agencies. The Department recently released the funding methodology and proposed funding levels under the managed-care plans to the Community Mental Health Service Programs and Coordinating Agencies. It is anticipated that contract negotiations with the local mental health and substance abuse organizations will be completed in time for implementation on October 1, 1998. A major change in the new managed-care contracts calls for quality assurance and quality improvement based on outcome measures rather than process measures. A number of performance indicators (outcome measures) have been included in the managed-care contracts that deal with consumer satisfaction, access to services and supports, and quality of life measures concerning work, housing and related issues.