



STATE OF MICHIGAN  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

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October 23, 2015

The Honorable Jim Marleau, Chair  
Senate Appropriations Subcommittee on DHHS  
Michigan State Senate  
Lansing, Michigan 48933

The Honorable Rob VerHeulen, Chair  
House Appropriations Subcommittee on DHHS  
Michigan House of Representatives  
Lansing, Michigan 48933

Dear Senator Marleau and Representative VerHeulen:

This report is provided pursuant to the Department of Human Services' (DHS') Fiscal Year 2015 Appropriations Act, PA 252 of 2014, Article X, Section 503 (3). This section requires the department complete a full cost analysis of the performance-based funding model including relevant information on the actuarial rate-setting process.

Public Consulting Group (PCG) continues to provide contracted actuarial services to the Michigan Department of Health and Human Services (MDHHS) to implement a performance-based model by pilot in Kent County. PCG has been and continues to collect cost data from MDHHS and the private child welfare agencies involved in this pilot. The data being collected includes costs to both the department and private child welfare agencies for out-of-home care placements and services and estimates for the operation of the proposed, private child placing agency, commonly referred to as the Consortium. At this time, additional information is being collected to ensure adoption services are included as a part of the new model's rate; pursuant to the department's Fiscal Year 2016 Appropriations Act, PA 84 of 2015, Section 503 (2).

Through these efforts, PCG expects to develop an estimated unit cost per case for the model's implementation. In addition, PCG, MDHHS and the private child welfare agencies are testing the best method and timing for disbursement of that rate once it has been established. The disbursement of the rate is a critical component to the full cost analysis of the envisioned model because it impacts short and long-term risks and federal funding claims.

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MDHHS will continue to provide quarterly updates on the status of the proposed unit rate model and the cost analysis in the reports submitted pursuant to PA 84 of 2015, Section 503 (6).

If you have any questions, please contact Steve Yager, Children's Services Agency executive director, at (517) 241-9859.

Sincerely,



Nick Lyon  
Director

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c: Senate and House Appropriations Subcommittees on DHHS  
Senate and House Fiscal Agencies  
Senate and House Policy Offices  
Senate and House Standing Committees on Families and Human Services