

# *Bidding out the Management of* **Michigan's Public Mental Health System**

On August 4, 2025, the Michigan Department of Health and Human Services (MDHHS) announced the release of a Request for Proposals (RFP) to competitively bid the state's public mental health managed care system. Proposals are due by September 29, 2025. This approach brings with it several risks without addressing real gaps in the system.

## Myth

The proposal eliminates an administrative layer and related costs and does not cut funding for services.



## Fact

Switching to private insurance companies does not eliminate an administrative layer – in fact it replaces the single payer, per region, with multiple payers per region all with much higher overhead. Private insurers spend 15% on overhead, while the public system only spends 2%. That higher overhead will cut funding for services by \$500 million.

The proposal keeps the CMH system intact.



The proposal strips funding from local public CMHs by diverting CMH dollars to private organizations. It violates the Michigan Mental Health Code by prohibiting CMHs from managing their established provider networks and performing the contract oversight and management functions. It forces CMHSPs to relinquish decision-making authority to outside entities and join regional entities against their will. The proposal dismantles the very foundation of the public mental health system rather than keeping it intact.

MDHHS survey results, of stakeholders to the system, indicate a demand for competitive bidding of system management.



The survey results actually highlight the need to address workforce shortages, lack of transparency, long-term care gaps, funding issues, and client rights concerns. None of these are fixed by competitive bidding.

The current system just wants no change.



The current system supports bold and dramatic change but wants it to be open, transparent, include all stakeholders in the new system design and ensure a sound mental health safety net in Michigan.

Federal government (CMS) requires competitive bidding.



The Centers for Medicare and Medicaid (CMS) does not require this. MDHHS admits that there is no written communication from the federal government requiring competitive bidding of the system. Since 1997, CMS has approved Michigan's sole source contract with the state's public health plans. In 2014, Michigan reduced PIHPs from 18 to 10 via sound sole source contract development, and CMS fully supported it.