

## Memo

**Date:** June 30, 2024  
**To:** Pamela Sanchez  
**From:** Mike Schoeberl, FSA, MAAA

**Subject:** AHMI Funding Formula: Implementation Phase – Process and Outcomes

The following memo has been developed for the State of Minnesota Department of Human Services (DHS) Adult Mental Health Initiative (AMHI). The memo summarizes the work completed during the implementation phase of the AMHI funding formula development.

### Overview

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Adult Mental Health Initiatives (AMHIs) are regional organizations that oversee adult mental health services and funding to counties and tribal governments in their area. The AMHIs are intended to serve as a conduit for regional collaboration and the development and successful operation of community-based mental health services. AMHI regions include single counties in the Minneapolis and St. Paul metro area and multi-county regions covering the greater Minnesota area. An additional AMHI serves the White Earth Nation.

When AMHIs were established in 1996 as part of a series of initiatives to develop community-based approaches to mental health treatment and support, the funding levels were primarily based on the locations of State Mental Health hospitals. Although the structure and funding of AMHIs allowed for greater flexibility in meeting community-specific needs, potential differences in per-capita regional funding may have resulted in regional or county-specific service gaps over time.

The development of an updated funding formula was a primary goal of the AMHI Reform initiative. Starting in 2020, the Minnesota Department of Human Services (DHS) began the development of an updated funding formula for the AMHIs. The process involved public meetings, the development of a funding model and, ultimately, a collaboration between a group of AMHIs, providers, and other stakeholders to determine the ultimate funding distribution. The updated formula was adopted during the 2022 legislative session to be effective for calendar year 2025. The legislature also increased the overall AMHI funding from \$33.5M to \$53.4M. After the development and approval of the revised funding distribution, DHS collected supplemental data and conducted additional research to develop the equivalent formula-specific funding level for the AMHI serving the White Earth Nation. Upon completion of the calculation for the White Earth Nation AMHI, the funding levels were finalized, and DHS began the implementation phase.

## Implementation Phase

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Although the updated funding amounts were largely established when the formula was adopted in late-2022, they were not fully finalized or shared with the AMHIs. The implementation phase involved the finalization of the funding levels and the development of internal DHS communications around the ongoing budgetary impact of the updated funding levels. As part of the disclosure of the updated funding levels to the AMHIs, DHS hosted educational seminars and worked directly with the individual AMHIs to facilitate an understanding of the funding formula components, along with the population and risk-characteristics driving the AMHIs' updated funding levels. This phase also included the development of a strategy and requirements for the potential integration of additional Tribal AMHIs.

## Process and Outcomes

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**Tribal AMHI Development:** During the Summer and Fall of 2023, Forma ACS worked with DHS to develop a process and strategy for integrating additional Tribal AMHIs into the program. Based on our experience working with the White Earth Nation, we developed a template and series of questions to populate the funding formula and develop funding levels for prospective Tribal AMHIs. We also developed broader cost expectations for program expansion to support DHS' internal discussions and strategy around expansion.

**Model Recalibration and Funding Finalization:** In preparation for the communications around the funding levels to the AMHIs, we recalibrated the model assumptions to reflect the inclusion of White Earth AMHI. Because the AMHI serves a relatively small population, the broader impact of the funding levels changes was not overly significant, although the AMHI-specific impact varied by region. We also discussed strategies around ongoing recalibration, the potential impact of updating the data sources, and the longer-term requirements for model operation. Ultimately, we finalized the calculations and funding levels and developed communication materials for DHS to support the ongoing budget process.

**AMHI Outreach and Education:** Although many AMHIs had a general sense of their individual funding changes based on information communicated throughout the development and legislative process, the final funding levels needed to be communicated to the AMHIs. While the funding formula was developed in close collaboration with the AMHIs, the decisions and assumptions impacting the ultimate funding levels were developed with a smaller workgroup. In addition, the impact of the additional AMHI funding was not specifically communicated to the AMHIs. Because of these factors, and the high likelihood of staffing changes in the interim between development and finalization, DHS recognized the need for additional education around the formula, data inputs, and assumptions prior to the release of the updated funding levels.

DHS conducted four public meetings during the first part of 2024 to support the roll-out of the updated funding levels. The topics covered in these meetings included:

- Meeting 1 – February 21, 2024: During this meeting, we discussed the history of AMHIs and the broader reform initiative. We also educated the group around the rationale for development of an updated funding formula. Lastly, we discussed the higher-level process and outcomes around model development, including the impact of legislative changes to the overall funding levels.

- Meeting 2 – March 13, 2024: This meeting covered the details of the funding formula, including explanations of the population and risk assumptions driving the relative funding levels. We provided background information on all the model development components, including information sources, calculation methodologies and the relative impact by AMHI of each of the funding components (population size, relative population risk, rural vs. metro status, regional deprivation). The relative per-capita funding levels by component were shared with the AMHIs during this discussion
- Meeting 3 – April 10, 2024: Between the March and April meetings, the AMHIs received a template with their updated funding levels. The April meeting served as a supplemental forum to provide as-needed technical information and address any additional questions around the assumptions, calculations, or methodological choices driving the updated funding levels.
- Meeting 4 – May 21, 2024: For the final meeting, we discussed the anticipated plan for future distribution updates, including potential triggers for recalibration and/or changes to the model structure or components. We also provided a forum for additional questions and feedback from the AMHIs.

In general, the public meetings were well attended and proved to be an effective forum for explaining the purpose, methodology, and impact of the updated funding distribution. The information appeared to be understood and appreciated by the participants and the feedback was positive.

## **Summary**

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The implementation phase of the funding formula development was an important step in the overall understanding and acceptance of the updated funding levels. Because of the differential impact of the funding formula and the relative complexity of the methodology, it was reasonable to expect that some AMHIs could be distrustful of the process or disappointed in the outcomes. Ultimately, the feedback from the AMHIs indicates that DHS' focus on communication, collaboration, and transparency was helpful in establishing broad acceptance of the formula and funding results. This phase also set the stage for future changes to the program, including potential updates to the funding levels and the possible integration of additional Tribal AMHIs.