INTEGRATED SERVICES OF KALAMAZOO

INTEGRATED
Services of Kalamazoo

Fiscal Year 2027

Preliminary Budget

This financial report is for internal use only. It has not been audited, and no assurance is provided.

INTEGRATED SERVICES OF KALAMAZOO

Fiscal Year 2027 Budget

Significant Assumptions and Key Points

I. As of the drafting of this budget, Integrated Services of Kalamazoo, "ISK" has not received their preliminary projections for Medicaid, Healthy Michigan Plan (HMP) and Autism revenues from Southwest Michigan Behavioral Health (SWMBH) -- the regional Pre-Paid Inpatient Health Plan (PIHP) -- for our Community Mental Health Services Program (CMHSP).

- Mental Health Medicaid and Healthy Michigan funding for Fiscal Year (FY) 2027 is projected to be $92.2 million, representing a $6.1 million increase from the FY 2026 projected revenues of $86.1 million. This increase is due to anticipated utilization increases, opening a crisis stabilization unit service mid way through 2027, and provider rate increases.

II. Certified Community Behavioral Health Clinic (CCBHC) - ISK was accepted into the CCBHC Demonstration effective October 1, 2022 and FY27 will be the fifth year of being a CCBHC. In FY 27, is the second year MDHHS will directly pay CCBHCs the PPS-1 rate.

- CCBHC funding for Medicaid and Healthy Michigan is estimated at $35.6 million an increase of $2.5 million over the projected FY 2026 revenue of $33.1 million.

III. CCBHC Uncertainty

- It is important for the reader of this budget to understand that a increased share of ISK's revenue is dependent on the actual number of daily visits that occur in the fiscal year.

- In this budget, ISK has budgeted an attainable 134,780 daily visits in the CCBHC program, an increase of 5% daily visits compared to the projected FY26 experience. Each year ISK has seen daily visit growth of 5-9%. Those daily visits comprise on Medicaid & Healthy Michigan compensated visits of 115,350 and Non Medicaid uncompensated visits of 19,430. If we are unable to realize these planned daily visits it will have a negative impact on our ending fund balance. Alternatively, if we are able to realize more than the planned daily visits it will have a positive impact on our ending fund balance.

- The PPS-1 rate used in the 2027 budget is the approved 2026 PPS-1 rate of $303.92, plus the current Medicare Economic Index factor in the CCBHC cost report of 2.4% to get to a estimate of $311.21.

IV. Local funds/GF

- County contributions are included at the expected appropriated amounts of $1,550,400.

- General Fund revenue is expected to stay at the same level of $3.9 million compared to FY 2026. Unfortunately there is no inflationary or cost of living increases provided in the FY 2027 appropriation. We anticipate this funding will remain the same until such time as MDHHS reallocates the GF appropriation which was last calculated in FY 2018.

- CCBHC Quality Bonus Payments and the Medicaid Performance Bonus Payment are budgeted based on historical experience and conservative estimates at $1.3 million and $508,606, respectively.

Fiscal Year 2027 Budget

Significant Assumptions and Key Points

VI. Mental Health Funding costs

- As of August 19, 2026, final capitation rates had not yet been received by SWMBH from MDHHS. ISK will need to amend its budget if actual capitation rates or eligibility experience significantly deviates from the estimates included in this budget once rates from MDHHS are received.

- ISK will continue to evaluate and analyze all areas of its business model in FY 2027 to maintain ISK's position as a strong participant in Mental Health Service delivery.

VII. Provider Network Services

- This budget includes provider network increases for most services. On average, this increase is 3%.

VIII. Internal Services

- Although ISK is actively pursuing additional SAMHSA grant funding, the outcome of those applications remains uncertain at the time this budget was developed. As a result, no future SAMHSA grant revenue or associated expenditures have been incorporated into this budget.

- Internal service costs in FY 2027 include a cost of living for staff at ISK.

INTEGRATED SERVICES OF KALAMAZOO

Statement of Revenue, Expenses and Change in Net Position

	2026 Budget	2026 Projection	Proposed 2027 Budget	Difference from 2026	Difference from Projection
Operating revenue					
Medicaid:					
Traditional Capitation	$ 86,641,701	$ 86,079,591	$ 92,224,151	$ 5,582,450	$ 6,144,560
Healthy Michigan Capitation	9,119,193	4,657,610	6,134,500	(2,984,693)	1,476,891
State General Fund:					
Formula Fundings	3,900,516	3,900,516	3,900,516	-	-
CCBHC Demonstration	34,258,759	33,160,499	35,620,053	1,361,294	2,459,555
CCBHC Quality Bonus	1,326,190	2,347,457	1,326,190	0	(1,021,267)
County Allocation	1,550,400	1,550,400	1,550,400	-	-
Client Fees	1,069,711	796,845	619,418	(450,293)	(177,427)
Other grant revenue	6,780,003	5,990,625	5,180,770	(1,599,234)	(809,855)
Other earned contracts	1,958,805	2,436,941	1,520,355	(438,450)	(916,586)
Interest	157,232	153,231	143,620	(13,612)	(9,611)
Local revenue	508,606	508,606	508,606	-	-
Total operating revenue	$ 147,271,116	$ 141,582,320	$ 148,728,579	$ 1,457,463	$ 7,146,260
Operating expenses					
Salaries and wages	$ 32,403,237	$ 29,441,045	$ 30,190,229	(2,213,008)	749,185
Employee benefits	12,643,544	10,903,494	11,316,975	(1,326,568)	413,481
Staff development	300,933	134,456	285,550	(15,383)	151,095
Payments to providers	93,008,476	90,343,424	96,842,228	3,833,752	6,498,804
Administrative contracts	8,262,621	9,039,099	8,571,309	308,688	(467,790)
IT software and equipment	928,129	895,256	913,454	(14,675)	18,198
Client transportation	52,900	46,539	61,170	8,270	14,631
Staff travel	386,676	309,668	410,390	23,714	100,723
Office expenses	685,668	543,011	717,407	31,739	174,397
Insurance expense	168,769	126,242	206,797	38,028	80,556
Depreciation expense	585,704	576,051	697,049	111,346	120,998
Utilities	363,874	393,801	384,081	20,207	(9,720)
Facilities	36,265	110,816	58,552	22,287	(52,263)
Local match	305,108	305,108	305,108	-	1
Total operating expenses	$ 150,131,903	$ 143,168,006	$ 150,960,300	$ 828,396	$ 7,792,294
Loss	**(2,860,787)**	**(1,585,687)**	**(2,231,720)**	**$ 629,067**	**$ (646,034)**

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Statement of Revenue, Expenses and Change in Net Position

	Specialty Services	Healthy Michigan	Totals
	2027 Budget	2027 Budget	2027 Totals Budget
Operating revenue			
Medicaid:			
Traditional Capitation	$ 92,224,151	$ -	$ 92,224,151
Healthy Michigan Capitation	-	6,134,500	6,134,500
Client Fees	-	-	-
Total operating revenue	$ 92,224,151	$ 6,134,500	$ 98,358,651
Operating expenses			
Internal services	$ 2,266,377	$ 16,255	$ 2,282,632
External services	78,647,738	5,365,932	84,013,670
Delegated managed care	11,310,036	752,313	12,062,349
Total operating expenses	$ 92,224,151	$ 6,134,500	$ 98,358,651
Loss	(0)	0	(0)

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Statement of Revenue, Expenses and Change in Net Position

	State General Fund	CCBHC	Other Funding Sources	Total
	2027 Budget	2027 Budget	2027 Budget	2027 Budget
Operating revenue				
General Fund	$ 3,900,516	$ -	$ -	$ 3,900,516
Projected GF Carryforward	-	-	-	-
CCBHC Demonstration	-	37,565,662	-	37,565,662
Other Federal and State Grants	-	-	5,180,770	5,180,770
Earned Revenue	-	-	379,075	379,075
COFR Revenue	-	-	-	-
Interest	-	-	143,620	143,620
County Allocation	-	-	1,550,400	1,550,400
Local Revenue	-	-	508,606	508,606
Transfer from GF	-	252,196	-	252,196
Settlement Revenue (Expense)	-	-	-	-
Total operating revenue	$ 3,900,516	$ 37,817,858	$ 7,762,471	$ 49,480,845
Operating expenses				
Internal Programs	$ 687,805	$ 40,004,812	$ 2,391	$ 40,695,007
External Programs	2,513,098	-	1,072,324	3,585,422
Other Federal and State Grants	-	-	4,403,227	4,403,227
HUD Grants	-	-	1,565,987	1,565,987
Managed Care Administration	447,417	-	-	447,417
Homeless Shelter	-	-	401,691	401,691
Transfer from GF	-	-	-	-
Local match expense	252,196	-	305,108	557,304
Non-DCH Activity Expenditures	-	-	56,510	56,510
Total operating expenses	$ 3,900,516	$ 40,004,812	$ 7,807,237	$ 51,712,565
Change in net position	0	(2,186,954)	(44,766)	(2,231,720)

INTEGRATED SERVICES OF KALAMAZOO

CCBHC

	CCBHC Medicaid	CCBHC Healthy MI	CCBHC Non-Medicaid	CCBHC YTD Totals
Operating revenue				
Revenue	$ 27,177,341	$ 8,442,713	$ -	$ 35,620,053
CCBHC SAMSHA Grant	-	-	-	-
CCBHC QBP	-	-	1,326,190	1,326,190
Client fees	185,825	92,913	340,680	619,418
Total CCBHC Revenue (PPS-1 of $303.92 x encounters)	$ 27,363,166	$ 8,535,625	$ 1,666,870	$ 37,565,662
Operating expenses				
Internal services	$ 19,513,303	$ 6,445,580	$ 3,976,158	$ 29,935,041
DCO Contracts	6,695,309	2,161,908	1,212,552	10,069,770
Total operating expenses	$ 26,208,613	$ 8,607,488	$ 5,188,711	$ 40,004,812
Operating change in net position	1,154,554	(71,863)	(3,521,841)	(2,439,150)
Reclassification to cover Non-Medicaid	-	-	252,196	252,196
Total change in net position	$ 1,154,554	$ (71,863)	$ (3,269,645)	$ (2,186,954)