



Michigan Department of
Health & Human Services

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Health Services

MEMORANDUM

To: Executive Directors of Pre-Paid Inpatient Health Plans (PIHP) and Community Mental Health Services Programs (CMHSP)

From: Kristen Morningstar, Director *KM*
Bureau of Specialty Behavioral Health Services
Health Services

Date: May 12, 2026

RE: Proper Use of Financial Management Services (FMS) Providers

This memo is intended to clarify Financial Management Services (FMS) involvement for services rendered under Self-Directed arrangements. The Michigan Department of Health and Human Services (MDHHS) was made aware that some agency supported self-direction (aka Agency with Choice) arrangements are involving an FMS. An agency supported self-direction arrangement involves a co-employment agreement between a Community Mental Health Services Programs (CMHSP) contracted agency serving as the Employer of Record (solely responsible for handling the administrative aspects of employment) and the beneficiary who is considered the managing employer with responsibility for selecting, hiring, managing and dismissing their workers from their home.

The FMS involvement is allowable for direct hire and purchase of service arrangements. Per Michigan Medicaid Behavioral Health 1915c Waiver Application(s) Appendix E-2 (a)(i), FMS should not be involved in agency supported self-direction arrangements. Administrative roles and responsibilities are already factored into contracted provider rates and should therefore not be duplicated by involving an FMS. When an arrangement utilizes more than one model, the FMS can still be used for the direct hire and/or purchase of service arrangement, but not the agency supported arrangement.

For those providers currently using agency supported self-direction arrangements that involve a FMS, that FMS must be removed from the arrangement no later than July 15, 2026. The Pre-Paid Inpatient Health Plans (PIHP) must ensure that services to the individual are not disrupted when correcting wrongful FMS involvement. Continued use of FMS in agency supported arrangements after July 15, 2026 may result in MDHHS referring responsible PIHP to the Office of Inspector General (OIG) for review.

Questions can be directed to: MDHHS-BHFederalCompliance@michigan.gov.

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