




Michigan Department of Health and Human Services
Health Services

MEMORANDUM

To: Chief Executive Officers of the Prepaid Inpatient Health Plans (PIHPs),
Directors of Community Mental Health Service Providers (CMHSPs), Self-
Determination Leadership Team Members

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

Date: January 22, 2026

RE: Waskul Settlement/Self-Directed Arrangement Clarification and Update

This memo seeks to inform readers that the guidance provided by Laura Demeuse on December 12, 2025, to the Self-Directed (SD) Leadership Team, does not align with Medicaid Policy. Therefore, that guidance is retracted in full.

Policy Bulletins MMP 25-31 and MMP 25-41 were effective and binding as of October 1, 2025, and as of January 1, 2026, the policies in those bulletins were incorporated into the Medicaid Provider Manual. Michigan Department of Health and Human Services (MDHHS) expects Prepaid Inpatient Health Plans (PIHPs) and Community Mental Health Services Programs (CMHSPs) to follow those policies, notwithstanding additional guidance or training that MDHHS will provide. Should you have questions about the implementation of the new policies, please refer to MDHHS's December 17, 2025, non-binding guidance document. If that document does not address your questions, you may send an email to mdhhs-bhfederalcompliance@michigan.gov, including "Settlement" in the subject line.

However, for clarity and to ensure alignment of MDHHS's expectations, MDHHS's revised response to the question asked to Ms. Demeuse on December 11, 2025, is as follows.

Question: *We recently heard from one of our provider sources that, effective October 1, 2025, the wages in the budgets should **not** be built based on the PIHP standardized rate. However, the SD Technical Guide clearly states that wages should be built using the PIHP rate, inclusive of insurance, taxes, and related costs.*

Is this change accurate? Do you have any information on this? This is the first time I've heard of it.

MDHHS Response:

Thank you for raising this concern. MDHHS is currently evaluating the Self-Direction Technical Requirement Implementation Guide and will make any updates to the same to ensure consistency with the Medicaid Provider Manual. Please refer to the Medicaid Provider Manual as binding policy.

In short, the Medicaid Provider Manual does not allow for the staff wage portion of self-directed Community Living Supports (CLS) services under the Habilitation Supports Waiver (HSW) to be based on application of a pre-existing, across-the-board maximum rate for staff wages. Any effort to apply such a maximum staff rate is contrary to the Medicaid Provider Manual.

The Medicaid Provider Manual requires the self-directed budgets for CLS services under the HSW to include appropriate staff wages: “[c]onsiderations for determining an appropriate staff wage may include, but are not limited to, CLS staff wages charged by self-determination providers in the community for similarly-situated CLS recipients; staff wages for the CLS beneficiary’s self-determination providers for other services; staff wages the CLS beneficiary has previously paid to CLS self-determination staff; staff wages requested by CLS self-determination staff the CLS beneficiary wishes to hire; staff wages requested by CLS self-determination staff that have responded to job advertisements posted by the CLS beneficiary; and the CLS beneficiary’s efforts to locate staff at any given staff wage.”

However, please also note that under the Medicaid Provider Manual, the staff wage portion of self-directed budgets for CLS services under the HSW shall not exceed what is necessary to be “sufficient to provide the medically necessary services identified in the beneficiary’s IPOS.” This determination shall be made on an individual basis as part of each beneficiary’s person-centered planning process.

Similarly, the Medicaid Provider Manual does not allow use in self-directed budgets of a pre-existing, across-the-board maximum rate for CLS services under the HSW. Rather, the person-center-planning process must include discussion with beneficiaries regarding the various components of CLS, and the self-directed budget for CLS services under the HSW must separately cost out those components, such as the anticipated costs of activities and tasks determined to be part of the CLS services’ scope and the beneficiary’s anticipated transportation costs related to the CLS activities and tasks in the IPOS. These determinations shall likewise be made on an individual basis as part of each beneficiary’s person-centered planning process.

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The MDHHS is currently undertaking efforts to make comprehensive updates to the SD Technical Requirements Implementation Guide to align with the Medicaid Provider Manual and recently issued Non-Binding Guidance document, with a particular focus on changes related to the Waskul Settlement Agreement. Additionally, MDHHS is in the process of launching a direct website that includes all documents referenced above as well as recently issued FAQ's that providers, payors, and individuals receiving services should find helpful. Site details will be broadly shared once that is available.

We look forward to working with our partners to ensure these policies are implemented as smoothly and effectively as possible. As questions arise, please be sure to send them to our dedicated email address mdhhs-bhfederalcompliance@michigan.gov with "Settlement" in the subject line.