

Report on Compliance
Community Mental Health Partnership of Southeast Michigan
September 30, 2018



Community Mental Health Partnership of Southeast Michigan
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September 30, 2018

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

To the Members of the Board
Community Mental Health Partnership of Southeast Michigan
Ann Arbor, Michigan

Report On Compliance

We have examined Community Mental Health Partnership of Southeast Michigan's (the PIHP) compliance with the requirements described in the *Compliance Examination Guidelines* issued by Michigan Department of Health and Human Services that could have a direct and material effect on its Medicaid Contract, General Fund Contract, and Community Mental Health Services Block Grants (including various programs included therein) for the year ended September 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Medicaid Contract, General Fund Contract, and Community Mental Health Services Block Grants (including various programs included therein).

Independent Accountants' Responsibility

Our responsibility is to express an opinion on the PIHP's compliance with the Medicaid Contract, General Fund Contract, and Community Mental Health Services Block Grants (including various programs included therein), based on our examination of the compliance requirements referred to above.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the PIHP complied, in all material respects, with the compliance requirements referred to above.

An examination involves performing procedures to obtain evidence about the PIHP's compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Basis for Qualified Opinion

As discussed in the Schedule of Findings as item 2018-01, our examination disclosed material noncompliance related to the Medicaid Contract during the year ended September 30, 2018.

Opinion on Each Program

In our opinion, except for the material noncompliance noted above, the PIHP complied, in all material respects, with the specified requirements referred to above that could have a direct and material effect on its Medicaid Contract, General Fund Contract, and Community Mental Health Services Block Grants (including various programs included therein) for the year ended September 30, 2018.

Other Matters

The results of our examination procedures disclosed instances of noncompliance, which are required to be reported in accordance with Compliance Examination Guidelines, and which are described in the accompanying Comments and Recommendations as 2018-02. Our opinion is not modified with respect to 2018-02.

The PIHP's responses to the noncompliance findings identified in our examination are described in the accompanying Schedule of Findings and Comments and Recommendations. The PIHP's responses were not subjected to the examination procedures applied in the examination of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

This report is intended solely for the information and use of the board and management of the PIHP and the Michigan Department of Health and Human Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

June 19, 2019

Control deficiencies that are individually or cumulatively material weaknesses in internal control over the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s):

None

Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s):

2018-01 Fiscal Soundness of The Risk-Based PIHP

Criteria or specific requirements:

Provision 32.0 *Fiscal Soundness of The Risk-Based PIHP* states “Federal regulations require that the risk-based PIHPs maintain a fiscally solvent operation and MDHHS has the right to evaluate the ability of the PIHP to bear the risk of potential financial losses, or to perform services based on determinations of payable amounts under the contract.” (*Medicaid Contract General Provision 32.0*)

Condition:

Row N400 Balance Risk Corridor (Examined Total) is \$4,286,744 which represents the PIHP's portion of the shared risk that is unfunded. The PIHP does not have sufficient resources to manage the local portion of the shared risk and is not fiscally solvent. As a result of this insolvency, the PIHP is not in compliance with General Provision 32.0 of the Medicaid Contract.

Examination adjustments:

None

Context and perspective:

The PIHP has incurred substantial annual deficits in the last two fiscal years. The deficit for FY18 was \$18,869,823 of which \$11,352,411 was the local portion of shared risk and \$7,517,412 was the State portion of risk. The PIHP liquidated its remaining investments in the ISF and was able to cover \$7,065,667 of its \$11,352,411 in local risk. \$4,286,744 in local risk remains unfunded as of year end.

Effect:

Unable to determine

Recommendations:

The PIHP should work with stakeholders on how to address its annual deficits and the remaining unfunded risk at year end.

Views of responsible officials:

Management is in agreement with this recommendation.

Planned corrective action:

The CMHPSM and its partner CMHSPs have filed an administrative appeal to MDHHS related to FY17 and FY18 deficits as well as the projected FY19 deficit. The administrative appeal provides details supporting the region not being provided with the revenue necessary to deliver the medically necessary services that individuals are entitled to as eligible Medicaid enrollees. Resolution of the administrative appeal, subsequent planned legal actions and/or a renegotiation of revenue capitation rates will correct the financial status of the CMHPSM.

Responsible party:

MDHHS, CMHPSM and CMHPSM stakeholders

Anticipated completion date:

As soon as possible

Known fraud affecting the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s):

None

Examined Financial Status Report – Medicaid

An examination adjustment was made to increase A334 From Risk Corridor - MDHHS Share as this row was left blank on the FSR that was submitted.

- Row A334 From Risk Corridor - MDHHS Share was increased from \$0 to \$6,371,393; a change of \$6,371,393

Examined Financial Status Report – Healthy Michigan

An examination adjustment was made to increase From Risk Corridor as these rows were left blank on the FSR that was submitted.

- Row AI333 From Risk Corridor - PIHP Share was increased from \$0 to \$4,286,744; a change of \$4,286,744
- Row AI334 From Risk Corridor - MDHHS Share was increased from \$0 to \$1,146,019; a change of \$1,146,019

Examined Internal Service Fund

An examination adjustment was made to agree 1.a ISF Balance @ Beginning of Fiscal Year with the FY18 audited financial statements. A prior period adjustment was included in the FY18 audited financial statements as the FY17 transfer from ISF to Mental Health Fund was understated by \$149,507 as a result of an overstatement of the FY17 Autism receivable (in the Mental Health Fund).

- 1.a ISF Balance @ Beginning of Fiscal Year was decreased from \$7,135,209 to \$6,985,702; a change of \$(149,507)
- A corresponding decrease was made to 1.a Current Period ISF Financing Medicaid (Risk) was decreased from \$(7,215,174) to \$(7,065,667); a change of \$149,507

Examined Shared Risk Calculation and Risk Financing

An examination adjustment was made to agree Row 2.b Medicaid / HMP for PIHP Share Risk Corridor to Row 1.c6 Total Risk Responsibility (Local Risk). Row 2.b was increased from \$7,215,174 to \$11,352,411; a change of \$4,137,237.

An examination adjustment was made to agree Row 2.e Due PIHP from MDHHS to Row 1.c6 Total Risk Responsibility (State Risk). Row 2.e was decreased from \$11,654,649 to \$7,517,412; a change of \$4,137,237.

An examination adjustment was made to agree Row 3.b Total Disposition of MDHHS / Local Risk - Medicaid (State Risk) to Medicaid FSR Row A334 From Risk Corridor - MDHHS Share. Row 3.b was decreased from \$11,654,649 to \$6,371,393; a change of \$5,283,256.

An examination adjustment was made to agree Row 3.b Total Disposition of MDHHS / Local Risk - Medicaid (Local Risk) to Medicaid FSR Row A333 From Risk Corridor - PIHP Share. Row 3.b was decreased from \$7,215,174 to \$7,065,667; a change of \$149,507.

An examination adjustment was made to agree Row 3.b1 Total Disposition of MDHHS / Local Risk - Healthy Michigan Plan (State Risk) to Healthy Michigan FSR Row AI334 From Risk Corridor - MDHHS Share. Row 3.b1 was increased from \$0 to \$1,146,019; a change of \$1,146,019.

An examination adjustment was made to agree Row 3.b1 Total Disposition of MDHHS / Local Risk - Healthy Michigan Plan (Local Risk) to Healthy Michigan FSR Row AI333 From Risk Corridor - PIHP Share. Row 3.b1 was increased from \$0 to \$4,286,744; a change of \$4,286,744.

Examined Financial Status Report – All Non Medicaid

An examination adjustment was made to Row N102 to correspond with an examination adjustment that was made to the Internal Service Fund FSR. Row N102 was decreased from \$7,215,174 to \$7,065,667; a change of \$149,507.

An examination adjustment was made to Row N103 to correspond with examination adjustments that were made to the Shared Risk Calculation & Risk Financing. Row N103 was increased from \$0 to \$7,517,412; a change of \$7,517,412.

During our compliance audit, we may have become aware of matters that are opportunities for strengthening internal controls, improving compliance and increasing operating efficiency. These matters are not individually or cumulatively material weaknesses in internal control over the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant program(s). Furthermore, we consider these matters to be immaterial deficiencies, not findings. The following comments and recommendations are in regard to those matters.

2018-02 FSR Examination Adjustments

Criteria or specific requirements:

The FSR must include revenues and expenditures in proper categories and follow the reporting instructions. (Contract Section 7.8)

Condition:

The PIHP is not in compliance with FSR instructions.

Examination adjustments:

Examination adjustments were made to sections of the FSR. See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Context and perspective:

The examination adjustments were made to the PIHP's FSR to bring the FSR in accordance with the reporting instructions. The adjustments that were made pertained to the State and Local Share of the Risk Corridor and related reporting. The PIHP did not have sufficient resources to meet its portion of the risk corridor which presented unique challenges in completing the FSR.

Effect:

See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Recommendations:

The PIHP should review its current policies and procedures regarding the preparation and review of the Financial Status Report to assure that all amounts are reported in compliance with the reporting instructions. Specifically, a review of the final draft should be performed by a knowledgeable person who is independent from the original preparation of the report(s).

Views of responsible officials:

Management is in partial agreement with the recommendation, with the clarification that the CMHPSM entity was not provided with sufficient resources to provide the medically necessary services to the eligible population during state fiscal years 2017 or 2018. Insufficient funding to the CMHPSM region has precipitated the exhaustion of all Internal Service Fund resources, which forced an administrative appeal to MDHHS. The cited condition of non-compliance with Financial Status Report instructions derives from the CMHPSM region's assertion that the use of local funding is prohibited by law to cover the cost of delivering medically necessary Medicaid services to eligible individuals. On the specific assertion that a final draft be reviewed by a knowledgeable person who is independent from the original preparations of the report(s), the CMHPSM asserts that this did occur and that the unique financial status, administrative appeal and independent legal recommendation predicated the non-compliance with the reporting instructions. The CMHPSM Regional Operations Committee and legal counsel are knowledgeable and independent of the preparation of the report(s).

Planned corrective action:

The CMHPSM will review its current policies and procedures for any potential revisions that could be made in conjunction with the examination condition, as long as those changes: do not impact the health and safety of the individuals served within our region, negatively impact the status of the administrative appeal or any subsequent legal actions, and maintain the CMHPSM and its CMHSP partners compliance with Federal, State or local laws and regulations, specifically related to the use of local funding to cover qualified, medically necessary Medicaid services for eligible individuals.

Community Mental Health Partnership of Southeast Michigan
Comments and Recommendations
September 30, 2018

Responsible party:

CMHPSM and CMHPSM's Regional Operations Committee

Anticipated completion date:

September 30, 2019