

COMMUNITY MENTAL HEALTH PARTNERSHIP OF SOUTHEAST MICHIGAN  
REGULAR BOARD MEETING

Patrick Barrie Room

705 N. Zeeb Rd, Ann Arbor, MI

Wednesday, December 12, 2018

6:00 PM



Agenda

	<u>Guide</u>
I. Call to Order	1 min
II. Roll Call	2 min
III. Consideration to Adopt the Agenda as Presented	2 min
IV. Consideration to Approve the Minutes of the 11-14-18 Regular Meeting and Waive the Reading Thereof (Board Action) {Att. #1}	2 min
V. Audience Participation (5 minutes per participant)	
VI. Old Business	30 min
a. December Finance Report {Att. #2}	
b. FY19 Risk Management Strategy (Discussion Only) {Att. #3}	
c. CEO Performance Review Committee Report	
i. Consideration to approve an amount not to exceed \$5,000 for the CEO Evaluation Process {Att. #4}	
VII. New Business	30 min
a. Board Action Request {Att. #5}	
Consideration to approve the pursuit of an Administrative Hearing Appeal by the CMHPSM due to inadequate Medicaid funding and	
) approval to retain Janis Meija, Attorney at Law, with \$60,000 from the CMHPSM on behalf of the region with each of the CMH Partners sharing an equal portion of the retainer, and	
) approval of miscellaneous expenses not to exceed \$10,000 over the course of the length of the Appeal related actions	
For a total expense of \$70,000 for the CMHPSM	
VIII. PIHP CEO Report to the Board	15 min
a. Report from the SUD Oversight Policy Board (OPB)	
<i>SUD OPB hasn't met since last minutes were reviewed by CMHPSM board</i>	
IX. Adjournment	

**COMMUNITY MENTAL HEALTH PARTNERSHIP OF SOUTHEAST MICHIGAN  
REGULAR BOARD MEETING MINUTES  
November 14, 2018**



**Members Present:** Greg Adams, Marth Bloom, Charles Coleman, Susan Fortney, Roxanne Garber, Sandra Libstorff, Charles Londo, Gary McIntosh, Caroline Richardson, Sharon Slaton, Ralph Tillotson

**Members Absent:** Judy Ackley, Kent Martinez-Kratz

**Staff Present:** Connie Conklin, Jane Terwilliger, Kathryn Szewczuk, Stephannie Weary, Lisa Jennings, James Colaianne, Suzanne Stolz, Marci Scalera

**Others Present:** Laurie Lutomski

I. Call to Order  
Meeting called to order at 6:00 p.m. by Board Chair C. Londo.

II. Roll Call  
J A quorum of members present was confirmed.

III. Consideration to Adopt the Agenda as Presented

**Motion by R. Tillotson, supported by S. Fortney, to approve the agenda  
Motion carried**

IV. Consideration to Approve the Minutes of the September 12, 2018 Regular Meeting and Waive the Reading Thereof

**Motion by C. Coleman, supported by S. Slaton, to approve the minutes of October 10, 2018 Regular Meeting and waive the reading thereof  
Motion carried**

V. Audience Participation  
None

VI. Old Business  
a. November Finance Report  
J S. Stolz presented. Discussion followed.  
b. CEO Performance Review Committee Report  
J C. Londo reported that the committee had a brief meeting prior to this board meeting, will be gathering info over the next month and will report back in December.  
J The committee is considering the idea of doing a 360-degree review, including the CMHs and staff.

VII. New Business  
a. Board Action Request  
Consideration to approve the proposed 2019 Budget 1st amendment with allocations as presented and to make monthly payments to the CMHSP's based on revenue received less taxes, Hospital Rate Adjustments and 1.57% of administration

) S. Stolz presented.

**Motion by S. Slaton, supported by S. Slaton, to approve the proposed 2019 Budget 1st amendment with allocations as presented and to make monthly payments to the CMHSP's based on revenue received less taxes, Hospital Rate Adjustments and 1.57% of administration**

**Motion carried**

Ackley	Absent	Libstorff	Y
Adams	Y	Londo	Y
Bloom	Y	Martinez-Kratz	Absent
Coleman	Y	McIntosh	Y
Fortney	Y	Richardson	Y
Garber	Y	Slaton	Y
		Tillotson	Y

- b. Board Action Request  
 Consideration to approve the vendor purchases as presented

) J. Colaianne presented.

**Motion by C. Coleman, supported by M. Bloom, to approve the vendor purchases as presented**

**Motion carried**

Ackley	Absent	Libstorff	Y
Adams	Y	Londo	Y
Bloom	Y	Martinez-Kratz	Absent
Coleman	Y	McIntosh	Y
Fortney	Y	Richardson	Y
Garber	Y	Slaton	Y
		Tillotson	Y

- c. Board Action Request  
 Consideration to approve an extension of Jane Terwilliger's current CEO Contract from 12-7-18 to 3-31-19

**Motion by S. Fortney, supported by S. Slaton, to approve an extension of Jane Terwilliger's current CEO Contract from 12-7-18 to 3-31-19**

**Motion carried**

Ackley	Absent	Libstorff	Y
Adams	Y	Londo	Y
Bloom	Y	Martinez-Kratz	Absent
Coleman	Y	McIntosh	Y
Fortney	Y	Richardson	Y
Garber	Y	Slaton	Y
		Tillotson	Y

VIII. PIHP CEO Report to the Board

a. Report from the SUD Oversight Policy Board (OPB)

- ) SUD minutes and information are included in the board meeting packet.
- ) J. Terwilliger provided updates on advocacy efforts re: the revenue shortage, the MDOC/PIHP Criminal Justice SUD Project, Statewide Parity, and the Gambling Prevention program.

IX. Adjournment

**Motion by C. Coleman, supported by S. Slaton, to adjourn the meeting**  
**Motion carried**

Meeting adjourned at 7:50 p.m.

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Judy Ackley, CMHPSM Board Secretary



**Financial Highlights  
Fiscal Year 2019  
For the Period Ending October 31, 2018**

Summary of Revenues & Expenses by Fund Source:

1. Preliminary cost projections by the Affiliate Partners indicate there will not be enough Medicaid Funding to cover FY2019 needs.
2. Preliminary cost projections by Affiliate Partners indicate there will not be enough Healthy Michigan Plan funding for FY2019.
3. The SUD projections for Medicaid, Healthy Michigan Plan, Block Grant, PA2 funding and projected utilization of PA2 reserves indicates funding will be sufficient to cover FY2019 needs and is consistent with projections and delayed initiatives.

CMHPSM Investments:

1. CMHPSM ISF investments matured through FY18 to match the needs of the projected utilization of the ISF. The final investment maturity date correlates with final cost settlement.
2. CMHPSM PA2 funds are maintained in a separate savings.

CMHPSM Strategies:

1. CMHPSM will continue coordinate with CMHSP's to review current year budgets and actual expenditures.
2. A shared decision model is being utilized to monitor and balance FY19 expenditures to revenues including the shared risk corridor.
3. CMHPSM is monitoring the overages and is working with the CMHSP's to minimize costs yet providing medically necessary services.
4. CMHPSM will trend traditional Medicaid Eligibles and HMP Enrollees from the most current listing to apply the rates and monitor incoming revenues.

**Community Mental Health Partnership of Southeast Michigan  
Preliminary Statement of Revenues and Expenditures  
For the Period Ending October 31, 2018**

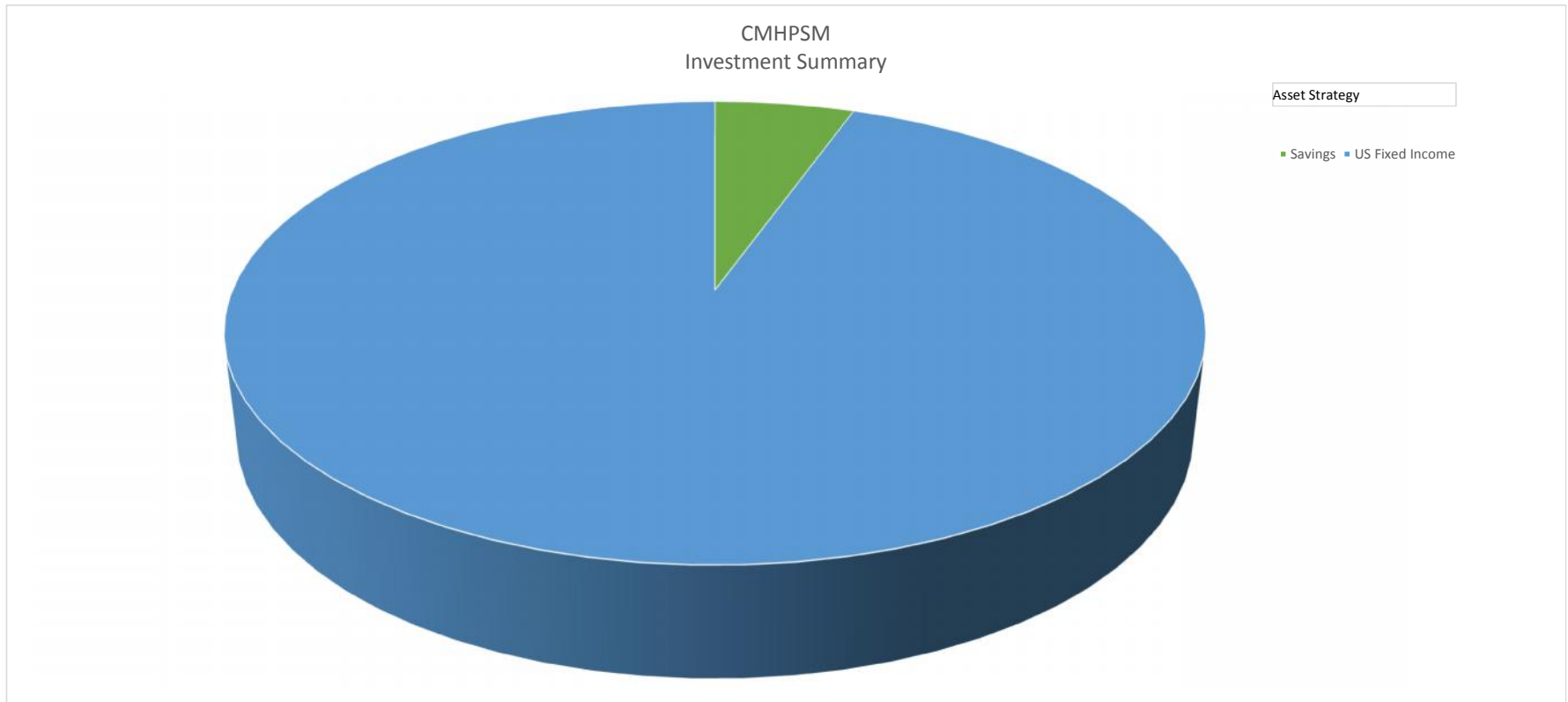
	Ist Amend FY19 Budget	Budget to date	YTD Actual	YTD Actual O/(U) Budget	Percent Variance Actual to Budget	Projected YTD	Projected O/(U) Budget
<b>Operating Revenue</b>							
Medicaid Capitation SP/B3	87,280,931	7,273,411	7,275,309	1,898	0.03%	87,303,702	22,771
Medicaid Capitation HSW	44,578,199	3,714,850	3,689,214	(25,636)	-0.69%	44,270,568	(307,631)
Performance Based Incentive Pool	1,499,519	124,960	124,960	-	0.00%	1,499,519	-
Medicaid SUD Capitation	2,327,015	193,918	203,521	9,604	4.72%	2,442,257	115,242
Healthy Michigan Plan	9,454,910	787,909	855,219	67,310	7.87%	10,262,626	807,716
Healthy Michigan Plan SUD	4,157,786	346,482	370,894	24,412	6.58%	4,450,733	292,947
Autism	8,760,753	730,063	785,998	55,935	7.12%	9,431,972	671,219
SUD Community Block Grant	6,860,943	571,745	571,746	0	0.00%	6,860,948	5
Block Grants	350,000	29,167	8,569	(20,598)	-240.39%	102,822	(247,178)
SUD PA2 - Cobo Tax Revenue	1,860,059	155,005	155,005	-	0.00%	1,860,059	-
SUD PA2 - Cobo Tax Use of Reserve	1,564,432	130,369	130,369	-	0.00%	1,564,432	-
Local Match	1,577,780	131,482	131,482	-	0.00%	1,577,780	-
Other Revenue	331,920	27,660	28,096	436	1.55%	337,157	5,237
<b>Total Revenue</b>	<b>\$ 170,604,247</b>	<b>\$ 14,217,021</b>	<b>\$ 14,330,381</b>	<b>\$ 113,361</b>	<b>0.79%</b>	<b>\$ 171,964,575</b>	<b>\$ 1,360,328</b>
<b>Funding For CMHSP Partners</b>							
Lenawee CMHSP	18,400,108	1,533,342	1,485,187	(48,155)	-3.24%	18,400,108	-
Livingston CMHSP	27,923,890	2,326,991	2,266,658	(60,333)	-2.66%	28,942,884	1,018,994
Monroe CMHSP	28,489,333	2,374,111	2,301,637	(72,474)	-3.15%	31,881,476	3,392,143
Washtenaw CMHSP	68,362,172	5,696,848	5,485,873	(210,975)	-3.85%	78,723,821	10,361,649
<b>Total Funding For CMHSP Partners</b>	<b>\$ 143,175,503</b>	<b>\$ 11,931,292</b>	<b>\$ 11,539,355</b>	<b>\$ (391,937)</b>	<b>-3.40%</b>	<b>\$ 157,948,289</b>	<b>\$ 14,772,786</b>
<b>Funding For SUD Services</b>							
Lenawee County	2,118,015	176,501	154,879	(21,622)	-13.96%	2,118,015	-
Livingston County	2,870,825	239,235	133,397	(105,838)	-79.34%	2,870,825	-
Monroe County	2,669,660	222,472	172,073	(50,399)	-29.29%	2,669,660	-
Washtenaw County	7,988,563	665,714	501,275	(164,439)	-32.80%	7,988,563	-
<b>Total Funding For SUD Services</b>	<b>\$ 15,647,063</b>	<b>\$ 1,303,922</b>	<b>\$ 961,624</b>	<b>\$ (342,298)</b>	<b>-35.60%</b>	<b>\$ 15,647,063</b>	<b>\$ -</b>
<b>Other Contractual Obligations</b>							
Hospital Rate Adjuster	2,943,755	245,313	245,313	-	0.00%	2,943,755	-
Insurance Provider Assessment Tax	1,456,827	121,402	121,402	-	0.00%	1,456,827	-
Local Match	1,577,780	131,482	131,482	-	0.00%	1,577,780	-
<b>Total Other Costs</b>	<b>\$ 5,978,362</b>	<b>\$ 498,197</b>	<b>\$ 498,197</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 5,978,362</b>	<b>\$ -</b>
<b>CMHPSM Administrative Costs</b>							
Salary & Fringe	2,383,701	198,642	183,770	(14,872)	-8.09%	2,383,701	-
Administrative Contracts	1,599,002	133,250	127,084	(6,166)	-4.85%	1,599,002	-
Board Expense	2,750	229	150	(79)	-52.78%	2,750	-
All Other Costs	318,347	26,529	26,824	295	1.10%	318,347	-
<b>Total Administrative Expense</b>	<b>\$ 4,303,800</b>	<b>\$ 358,650</b>	<b>\$ 337,828</b>	<b>\$ (20,822)</b>	<b>-6.16%</b>	<b>\$ 4,303,800</b>	<b>\$ -</b>
<b>Risk Reserve Provision</b>	<b>\$ 1,499,519</b>	<b>\$ 124,960</b>	<b>\$ 124,960</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 1,499,519</b>	<b>\$ -</b>
<b>Total Expense</b>	<b>\$ 170,604,247</b>	<b>\$ 14,217,021</b>	<b>\$ 13,461,963</b>	<b>\$ (755,058)</b>	<b>-5.61%</b>	<b>\$ 185,377,033</b>	<b>\$ 14,772,786</b>
<b>Revenues over (under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 868,418</b>	<b>\$ 868,418</b>		<b>\$ (13,412,458)</b>	<b>\$ (13,412,458)</b>

**Community Mental Health Partnership of Southeast Michigan  
Preliminary Statement of Revenues and Expenditures Notes  
For the Period Ending October 31, 2018**

- 1 HMP eligibles were higher than projected. Eligibles will be monitored and the budget amended for trending at 2nd budget amend.
- 2 Autism eligibles were higher than projected. Eligibles will be monitored and the budget amended for trending at 2nd budget amend.
- 3 PMTO and Club House block grand funding is a pass through to cmhsp's. Revenue correlates with expenditures.
- 4 SUD Block grant programs and PA2 initiatives are not fully implemented, most specifically State Opioid Response, State Targeted Response, Innovative Strategies and Gambling Prevention.
- 5 Salary and wages under budget due to a vacant position for the State Opioid Response Grant Coordinator.
- 6 Regional Board under expense due to low cost of meetings.

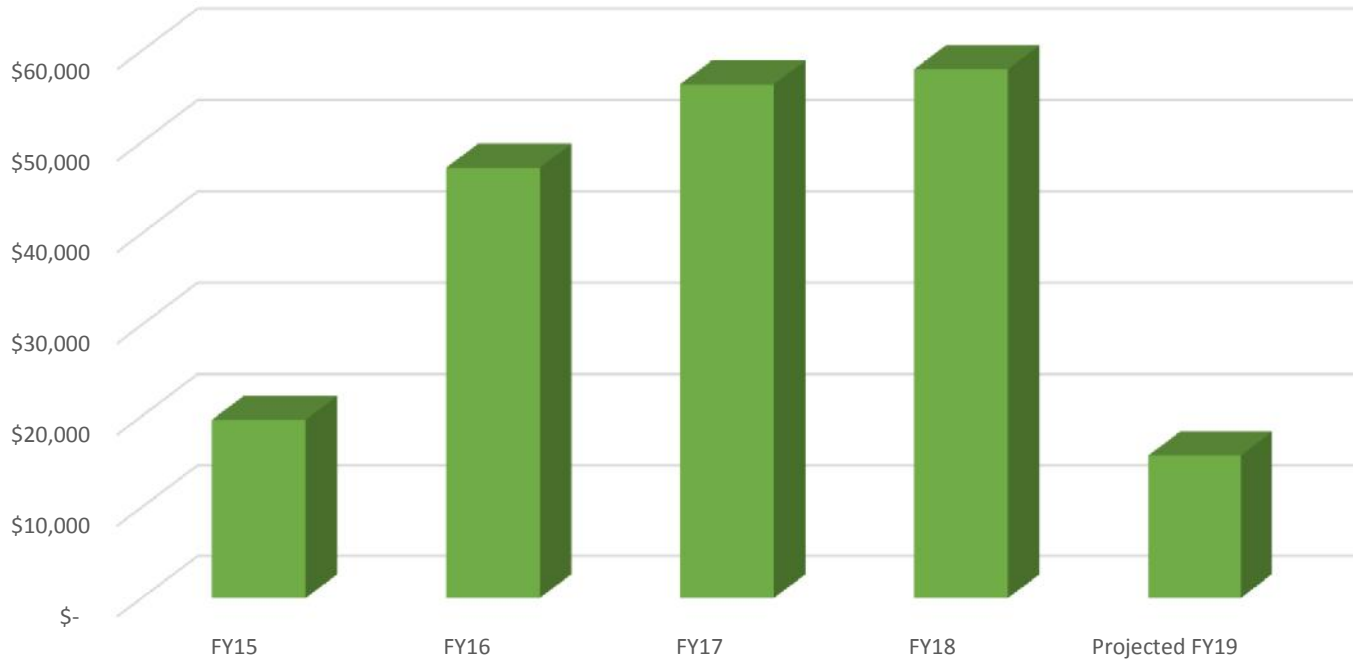
**CMHPSM  
Investment Summary  
as of October 31, 2018**

<u>Asset Strategy</u>	<u>Description</u>	<u>Value</u>	<u>Est. Annual Income</u>	<u>S&amp;P Rating</u>
US Fixed Income	UNITED STATES TREASURY NOTE DUE 04/30/19	994,082.03	2,500	A1
Savings	CHASE - PA2 SAVINGS	6,510,705.54	12,000	NONE
Savings	CHASE - OPERATIONS SAVINGS	415,095.33	1,100	NONE
Savings	CHASE - RISK RESERVE SAVINGS	20,349.22	100	NONE
Total Investments at 09/30/17		<u>\$ 7,940,232.12</u>	<u>15,700</u>	





### CMHPSM Five Year Earnings Summary



**Community Mental Health Partnership of Southeast Michigan  
Received and Distributed by Fund Source  
FY 18/19**

	October	November	December	January	February	March	April	May	June	July	August	September	YTD
<b>State Plan/B3 Receipts</b>	\$ 7,275,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,275,309
Distributions													
Lenawee CMHSP	930,624												\$ 930,624
Livingston CMHSP	1,255,074												\$ 1,255,074
Monroe CMHSP	1,405,282												\$ 1,405,282
Washtenaw CMHSP	3,084,945												\$ 3,084,945
	<u>\$ 6,675,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,675,926</u>
<b>HSW Receipts</b>	\$ 3,389,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,389,214
Distributions													
Lenawee CMHSP	372,809												\$ 372,809
Livingston CMHSP	588,074												\$ 588,074
Monroe CMHSP	587,361												\$ 587,361
Washtenaw CMHSP	1,787,760												\$ 1,787,760
	<u>\$ 3,336,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,336,003</u>
<b>Autism Receipts</b>	\$ 785,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 785,998
Distributions													
Lenawee CMHSP	76,646												\$ 76,646
Livingston CMHSP	281,758												\$ 281,758
Monroe CMHSP	150,276												\$ 150,276
Washtenaw CMHSP	264,742												\$ 264,742
	<u>\$ 773,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,422</u>
<b>HMP Receipts</b>	\$ 855,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 855,219
Distributions													
Lenawee CMHSP	105,108												\$ 105,108
Livingston CMHSP	141,753												\$ 141,753
Monroe CMHSP	158,718												\$ 158,718
Washtenaw CMHSP	348,425												\$ 348,425
	<u>\$ 754,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 754,004</u>
<b>Total Receipts</b>	<u>\$12,305,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,305,739</u>
<b>Total Distributions</b>	<u>\$11,539,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,539,355</u>

Note: Distributions are based on amounts actually received less HRA, taxes and Administration of 1.57%.  
These are on a cash basis whereas the income statement includes accruals.



## Regional Board Information – FY2019 Risk Management Strategy

Board Meeting Date: December 12, 2018

Action Requested: Review

### Background:

The CMHPSM, must submit a Risk Management Strategy to the Michigan Department of Health and Human Services (MDHHS) which assures financial risk protection in relation to our Medicaid services contract for the PIHP region on an annual basis. Detail surrounding these contractual requirements are provided below. The attached document is what was sent to MDHHS on the deadline of December 3, 2018. The CMHPSM is still awaiting FY2019 geographic factors that will impact FY2019 Q2-4 at the time of submission.

Connection to PIHP/MDHHS Contract, Regional Strategic Plan or Shared Governance Model:

### 8.6.3 Risk Management Strategy

Each PIHP must define the components of its risk management strategy that is consistent with general accounting principles as well as federal and state regulations.

### 8.6.4 PIHP Assurance of Financial Risk Protection

The PIHP must provide to MDHHS upon request, documentation that demonstrates financial risk protections sufficient to cover the PIHP's determination of risk. The PIHP must update this documentation any time there is a change in the information. The PIHP may use one or a combination of measures to assure financial risk protection, including pledged assets, reinsurance, and creation of an ISF. The use of an ISF in this regard must be consistent with the requirements of OMB Circular 2 CFR 200 Subpart E. Please see attachment P.8.6.4.1 Internal Service Fund Technical Requirement. The PIHP will submit a specific written Risk Management Strategy to the Department no later than December 3, 2018. The Risk Management strategy will identify the amount of reserves, insurance and other revenues to be used by the PIHP to assure that its risk commitment is met. Whenever General Funds are included as one of the listed revenue sources, MDHHS may disapprove the list of revenue sources, in whole or in part, after review of the information provided and a meeting with the PIHP. Such a meeting will be convened within 45 days after submission of the risk management strategy. If disapproval is not provided within 60 days following this meeting, the use of general funds will be considered to be allowed. Such disapproval will be provided in writing to the PIHP within 60 days of the first meeting between MDHHS and the PIHP. Should circumstances change, the PIHP may submit a revision to its Risk Management Strategy at any time. MDHHS will provide a response to this revision, when it changes the PIHPs intent to utilize General Funds to meet its risk commitment, within 30 days of submission.

**FY2019 RISK MANAGEMENT STRATEGY  
COMMUNITY MENTAL HEALTH PARTNERSHIP OF SOUTHEAST MICHIGAN**

**1. FY2018 Year End Information (Consistent with the FY2018 Interim Financial Reports which were submitted to MDHHS):**

)	Expected balance of the Medicaid ISF:	\$	0
)	Projected Medicaid savings:	\$	0

)	Expected balance of the Healthy Michigan ISF:	\$	0
)	Projected Healthy Michigan savings:	\$	0

<b>Expected CMHPSM Fund Balance:</b>	<b>\$</b>	<b>0</b>
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**2. A report of FY2019 projection of Medicaid and Healthy Michigan capitation pre-payments and waiver expenditures for Medicaid beneficiaries for each CMHSP and the PIHP in total:**

<b><u>Budgeted/Projected Medicaid Revenue</u></b>		
Capitation Including HSW and Autism Payments	\$142,731,898	
FY2018 Medicaid Savings	<u>\$ 0</u>	
Total Medicaid Funding Available for FY2019	\$142,731,898	
<b><u>Budgeted/Projected Medicaid Expenditures</u></b>		
Lenawee CMHA	\$ 17,989,025	
CMH of Livingston	\$ 27,419,073	
Monroe County CMHA	\$ 27,879,814	
Washtenaw County Community Mental Health	\$ 67,116,972	
SUD Medicaid	<u>\$ 2,327,014</u>	
Total Payments for Medicaid Services	\$142,731,898	
<b>Total CMHPSM Medicaid</b>	<b>\$142,731,898</b>	
<b><u>Budgeted/Projected Healthy Michigan Revenue</u></b>		
Capitation Including HSW Payments	\$ 13,612,696	
FY2018 Medicaid Savings	<u>\$ 0</u>	
Total Medicaid Funding Available for FY2019	\$ 13,612,696	
<b><u>Budgeted/Projected Healthy Michigan Expenditures</u></b>		
Lenawee CMHA	\$ 1,318,014	
CMH of Livingston	\$ 1,777,523	
Monroe County CMHA	\$ 1,990,259	
Washtenaw County Community Mental Health	\$ 4,369,114	
SUD HMP	<u>\$ 4,157,786</u>	
Total Payments for HMP Services	\$ 13,612,696	
<b>Total CMHPSM Healthy Michigan</b>	<b>\$ 13,612,696</b>	

The CMHPSM has budgeted to use all available current year Medicaid funding during FY2019.

- ) The CMHPSM projects that Medicaid revenue, including HSW funding will equal Medicaid expenditures for FY2019.
- ) Any surplus Medicaid funds that may remain at the end of FY2019 are expected to be below the level that would require the lapsing of funds back to MDHHS. The CMHPSM is not expected to have any Medicaid surplus in FY2019. Any surplus would, if necessary, be used to increase the CMHPSM ISF based on the amount of Medicaid revenue received during FY2019, enrollment changes and the potential risk in FY2019 and beyond as determined by an actuarial analysis. Surplus funds remaining after the consideration of adjustments to the ISF would be applied to Medicaid savings up to 7.5% of the FY2019 capitation. The use of surplus funding for both ISF contributions and/or Medicaid Savings carry-forward would be in accordance with the PIHP contract.

The CMHPSM has budgeted to use all current year Healthy Michigan Plan funding during FY2019.

- ) The CMHPSM is budgeted to use all available Healthy Michigan Plan revenue, this funding is projected to equal Healthy Michigan expenditures for FY2019.
- ) Any surplus Healthy Michigan funds that may remain at the end of FY2019 are expected to be below the level that would require the lapsing of funds back to MDHHS. The CMHPSM is not expected to have any Healthy Michigan surplus in FY2019. Any surplus would, if necessary, be used to increase the CMHPSM ISF based on the amount of Healthy Michigan revenue received during FY2019, enrollment changes and the potential risk in FY2019 and beyond as determined by an actuarial analysis. Surplus funds remaining after the consideration of adjustments to the ISF would be applied to Healthy Michigan savings up to 7.5% of the FY2019 capitation. The use of surplus funding for both ISF contributions and/or Healthy Michigan Savings carry-forward would be in accordance with the PIHP contract.

The CMHSPs within the CMHPSM region have undertaken internal cost containment strategies wherever possible during the past two fiscal years. The CMHPSM investment within the provider network through service rate increases has increased expenditures on medically necessary mental health services. Contracted service providers have struggled to maintain staffing levels as required by the needs of our served population and these rate increases were/are intended to allow providers to stay in business and staff our service sites.

As the CMHPSM does not have full year FY2019 capitation rates at the time of this report it is difficult to projected revenue for the remaining three quarters of FY2019. The CMHPSM will continue to assess both revenue and expense on an ongoing basis throughout FY2019.

### **3. Report on PIHP/CMHSP Risk Management Relationships**

The Community Mental Health Partnership of Southeast Michigan (CMHPSM) has a three-pronged strategy: an actuarially sound allocation of funding to each of the four counties included in this partnership; an electronic claims verification system with regular monitoring; and the maintenance of sufficient Internal Service Fund levels when possible.

#### **ALLOCATION OF MENTAL HEALTH FUNDING**

Historically, the CMHPSM had been issuing Medicaid payments to the Community Mental Health Service Programs (CMHSPs) within the region based on prior years' costs. During FY2012, the CMHPSM contracted with Milliman, a Wisconsin based actuarial consultant knowledgeable about CMHSP operations, to analyze our client and cost data to provide a funding allocation model that uses risk weights developed from a regression model built from demographic, diagnosis, service experience, and the associated service funding, and cost data. The model was re-based by Milliman under a contract with the CMHPSM during FY2014. The re-basing by Milliman utilized updated service encounter experience data from the region to further refine risk weights associated with the funding allocation model.

For the past six fiscal years, the monthly risk report has looked at actual service provision by each CMHSP and calculated actuarially based payments for each of those consumers. These risk reports have been used to guide the allocation of Medicaid revenue based on needs of specific recipients within each county using a risk score assignment approach. The methodology essentially scores each recipient based on their demographic and diagnostic characteristics and model will issue payments to the CMHSPs based on those served rather than a capitation based on Medicaid eligible individuals.

The risk-based model is utilized in conjunction with historical expense allocations and projected expenses developed at each CMHSP to ensure all medically necessary service costs are covered for required eligible individuals at each of the CMHSPs. This funding model has been key to allocating revenue within the CMHPSM region in a fair and equitable manner between the CMHSPs.

#### **ELECTRONIC CLAIMS VERIFICATION & MONITORING**

The electronic record is a comprehensive system that includes the Individual Plan of Service (IPOS), authorization of services in accordance with the IPOS, Staff Activity Logs for directly provided services, and Claims verification for those services provided by contracted agencies. When a HIPAA-compliant claim is submitted, the system verifies that the service was authorized, checks the insurance coverage (i.e., if the consumer is a Medicaid enrollee, is enrolled in the Healthy Michigan, Child Waiver, or is a General Fund consumer) and identifies the CPT code and Business Unit (cost reporting unit) where the cost is to be recorded. If the service does not meet a number of verification

processes (i.e. was not authorized, is above the approved fee schedule, is outside the authorized amount, scope or duration, etc.) the system issues a denial for payment. An individual consumer's Medicaid eligibility is updated weekly from the State's database. If Medicaid was approved retroactively, another file indicates which fund was initially charged so that it is then credited and the appropriate Medicaid fund is debited. This file is run monthly so that our financial system is updated with the most recent eligibility information and financial reports can accurately reflect the costs. For directly-provided services, a report is run that indicates the services by funding source so that staff costs, fixed costs, and administrative costs can be allocated to the appropriate funding source. This extensive data allows for the creation of numerous reports to assist in the analysis of utilization, consumers served, penetration rates, changes in eligibility, and changes in the demographic and/or diagnostic mix of consumers served.

### **ASSURANCE OF FINANCIAL RISK PROTECTION-INTERNAL SERVICE FUNDS**

The CMHPSM had established a Medicaid Internal Services Fund (ISF) for purposes of risk protection. As of FY2018 year end the CMHPSM will exhaust its Internal Services Fund, the region's financial stability and risk reserve management board governance policy would be utilized for FY2019 risk protection. In accordance with the MDHHS/PIHP contract, the ISF may be funded up to 7.5% of Medicaid revenues for the close of FY2018. The Medicaid ISF is a separate interest-bearing account and is not co-mingled with any other funding. Any ISF funding remaining after the close out of FY2018, will be utilized if available to cover FY2019 expenses exceeding the current year budgets.

In summary, the CMHPSM region will attempt to manage FY2019 expenses within the revenue received during FY2019, as it is projected to have no internal service funds funding available.



## Regional Board Action Request

Board Meeting Date: December 12, 2018

Action Requested: Approve an amount not to exceed \$5000 expenses related to the CEO upcoming performance review.

Background: This will be used to cover expenses for conducting the CEO 2018 Annual Performance Review

Connection to PIHP/MDCH Contract, Regional Strategic Plan or Shared Governance Model:

PIHP/MDCH Contract Section 8.0 Contract Financing  
CMHPSM Regional Agreements

Recommend: Approval





## Regional Board Action Request

Board Meeting Date: December 12, 2018

Action Requested: Approve an amount not of \$60,000 to retain the legal services of Janis Meija and an amount not to exceed \$10,000 for miscellaneous expenses related to the appeal process incurred to support entire appeal process.

Background: This will initiate the dispute resolution process with MDHHS regarding the underfunding of the Medicaid and Healthy Michigan provided to the CMHPSM for Medicaid and Healthy Michigan covered services provided to Medicaid and Health Michigan beneficiaries in Lenawee, Livingston, Monroe, and Washtenaw Counties.

Connection to PIHP/MDCH Contract, Regional Strategic Plan or Shared Governance Model:

Section 19. 0 of the FY 19 Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) Waiver Program(s), the Healthy Michigan Program, the Flint 1115 Waiver and Substance Use Disorder Community Grant Programs

Recommend: Approval