

COMMUNITY MENTAL HEALTH PARTNERSHIP OF SOUTHEAST MICHIGAN
 REGULAR BOARD MEETING
 Teleconference Meeting
 Wednesday, May 12, 2021
 6:00 PM



Dial-in Number Options:

1-312-626-6799; 1-646 876-9923;
 or 1-346-248-7799

Meeting ID: 443 799 086

Join by Computer:

<https://zoom.us/j/443799086>

Please wait to be admitted from the
 Zoom waiting room at 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 4-14-2021 Regular Meeting and Waive the Reading Thereof {Att. #1}	2 min
V. Audience Participation (5 minutes per participant)	
VI. FY2020 CMHPSM Audited Financials Presentation {Att. #2a & 2b}	20 min
VII. Discussion on System Reform / Redesign Proposals {Att. #3}	10 min
VIII. Old Business	45 min
a. April Finance Report – FY2021 as of March 31 st {Att. #4}	
b. FY2021 Strategic Plan Metrics Presentation {Att. #5}	
IX. New Business	45 min
a. Board Information - CEO Contract Authority {Att. #6}	
b. Board Action – Contracts {Att. #7}	
c. Board Action - Financial Stability and Risk Reserve Board Governance Policy {Att. #8}	
X. Reports to the CMHPSM Board	10 min
a. Report from the SUD Oversight Policy Board (OPB) {Att. #9}	
b. CEO Report to the Board {Att. #10}	
XI. CMHPSM Board CEO Evaluation Committee Report (Closed Session)	
XII. Adjournment	

CMHPSM Mission Statement

Through effective partnerships, the CMHPSM shall ensure and support the provision of quality integrated care that focuses on improving the health and wellness of people living in our region.

**COMMUNITY MENTAL HEALTH PARTNERSHIP OF SOUTHEAST MICHIGAN
REGULAR BOARD MEETING MINUTES**

April 14, 2021

***Meeting held electronically via Zoom**



Members Present: Judy Ackley (Palmyra, MI), Greg Adams (Adrian, MI), Susan Fortney (Petersburg, MI), Roxanne Garber (Brighton Township, MI), Bob King (Ann Arbor, MI), Sandra Libstorff (Monroe, MI), Molly Welch Marahar (Ann Arbor, MI), Caroline Richardson (Ann Arbor, MI), Sharon Slaton (Brighton Township, MI), Ralph Tillotson (Adrian, MI)
(physical location)

Members Absent: Gary McIntosh, Katie Scott

Staff Present: Kathryn Szewczuk, Stephannie Weary, James Colaianne, CJ Witherow, Matt Berg, Nicole Adelman, Lisa Jennings, Connie Conklin, Michelle Sucharski, Nicole Adelman

Others Present: Laurie Lutomski, Kathy Homan

- I. Call to Order
Meeting called to order at 6:02 p.m. by Board Chair S. Slaton.
- II. Roll Call
 - An electronic quorum of members present was confirmed.
- III. Consideration to Adopt the Agenda as Presented
Motion by R. Tillotson, supported by B. King, to approve the agenda as amended
Motion carried
Vote
Yes: Ackley, Adams, Fortney, Garber, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson
No:
Absent: McIntosh, Scott
 - Old Business item c. CEO Evaluation Committee Updated tabled until the May 2021 Regional Board meeting.
- IV. Consideration to Approve the Minutes of the March 10, 2021 Regular Meeting and Waive the Reading Thereof
Motion by B. King, supported by M. Welch Marahar, to approve the minutes of the March 10, 2021 regular meeting and waive the reading thereof
Motion carried
Voice vote, no nays
- V. Audience Participation
None
- VI. Old Business
 - a. April Finance Report – FY21 as of February 28th

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- M. Berg presented.
 - i. FY2020 Closeout Update
 - J. Colaianne provided a status update.
 - ii. FY2018 Deficit Update
 - J. Colaianne provided an update on the deficit repayment.
 - The expectation is to pay down the FY18 deficit; the plan has been submitted to the state. The PIHP is awaiting approval.
- b. Previous Year CEO Goals Review
 - J. Colaianne and board reviewed previous year's goals and status.
- c. CEO Evaluation Committee Update
 - Tabled until next month.

VII. New Business

- a. Board Action - CMHPSM FY2021 Budget Amendment
Motion by B. King, supported by C. Richardson, to approve the proposed FY2021 Budget Amendment #2 with allocations as presented
Motion carried
Vote
Yes: Ackley, Adams, Fortney, Garber, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson
No:
Absent: McIntosh, Scott
- b. Board Action – Contracts Approval
Motion by B. King, supported by G. Adams, to approve the CEO to execute the contracts/amendments as presented
Motion carried
Vote
Yes: Ackley, Adams, Fortney, Garber, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson
No:
Absent: McIntosh, Scott, Tillotson*
*Tillotson was not present for this vote.
- c. Board Action - OPB Bylaws Review
Motion by B. King, supported by C. Richardson, to approve the CMHPSM Oversight Policy Board Bylaws revisions
Motion carried
Vote
Yes: Ackley, Adams, Fortney, Garber*, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson
No:
Absent: McIntosh, Scott, Tillotson**
*Garber experienced technical issue, voted via email submitted to S. Weary.
**Tillotson was not present for this vote.
- d. Board Action - Quality Lead SIS Assessor Tier Placement
Motion by M. Welch Marahar, supported by B. King, to approve the re-classification of one CMHPSM Supports Intensity Scale (SIS) Assessor position (Tier 1) to a Quality Lead SIS Assessor (Tier 2a)
Motion carried

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Vote

Yes: Ackley, Adams, Fortney, Garber*, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson

No:

Absent: McIntosh, Scott, Tillotson**

*Garber experienced technical issue, voted via email submitted to S. Weary.

**Tillotson was not present for this vote.

- e. Board Action – Board Governance Manual, Bylaws and Policies Review

Motion by S. Fortney to have board representation for the committee that reviews/revises bylaws in the future

- Motion not seconded; motion failed.

Motion by M. Welch Marahar, supported by J. Ackley, to approve the Board documents listed below

Motion carried

Vote

Yes: Ackley, Adams, Fortney, Garber*, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson

No:

Absent: McIntosh, Scott, Tillotson**

*Garber experienced technical issue, voted via email submitted to S. Weary.

**Tillotson was not present for this vote.

- Board Governance Manual
- CMHPSM Bylaws
- CMHPSM CEO Authority – Employee Position, Control and Compensation
- CMHPSM CEO General Scope of Authority
- Conflict of Interest Policy
- Investing
- Procurement

- f. Board Action – Financial Stability and Risk Reserve Management Board Governance Policy Revisions

Motion by B. King, supported by M. Welch Marahar, to table the vote on the recommended revisions to the Financial Stability and Risk Reserve Management board governance policy until the May Regional Board meeting

Motion carried

Vote

Yes: Ackley, Adams, Fortney, Garber*, King, Libstorff, Welch Marahar, Richardson, Slaton, Tillotson

No:

Absent: McIntosh, Scott, Tillotson**

*Garber experienced technical issue, voted via email submitted to S. Weary.

**Tillotson was not present for this vote.

VIII. Reports to the CMHPSM Board

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

- J. Colaianne provided an overview of the most recent OPB meeting.

- b. CEO Report to the Board

- A couple of Michigan senators have released a written proposal that revisits the issue from 298. There is no bill yet. J. Colaianne will forward the document to the board.

CMHPSM Mission Statement

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Attachment #1 – May 2021

- B. King also requested key points for the board so that the board can write to legislators in support of the current system. J. Colaianne will share 2 documents with the board that contain the relevant information.
- The region's lawsuit against the state is still pending.

IX. Adjournment

Motion by C. Richardson, supported by M. Welch Marahar, to adjourn the meeting
Motion carried

- Meeting adjourned at 7:45 p.m.

Judy Ackley, CMHPSM Board Secretary

CMHPSM Mission Statement

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Community Mental Health Partnership of Southeast Michigan

Audit Presentation
May 12, 2021





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Entity, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that Community Mental Health Partnership of Southeast Michigan will continue as a going concern. As discussed in Note 17 to the financial statements, Community Mental Health Partnership of Southeast Michigan has a deficit net position of \$(12,931,835) in the Mental Health Fund and has incurred substantial annual deficits in the preceding fiscal years which raises substantial doubt about its ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Community Mental Health Partnership of Southeast Michigan
Statement of Net Position
September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Current assets			
Cash and cash equivalents	\$ 10,814,337	\$ -	\$ 10,814,337
Due from other funds	-	11,054,816	11,054,816
Due from other agencies	917,464	-	917,464
Due from affiliate partners	8,021,073	-	8,021,073
Due from MDHHS	15,442,451	-	15,442,451
Prepaid expenses	60,747	-	60,747
Total current assets	35,256,072	11,054,816	46,310,888
	PY Total current assets		28,331,310
Noncurrent assets			
Capital assets being depreciated, net	13,000	-	13,000
Total noncurrent assets	13,000	-	13,000
	PY Total noncurrent assets		39,000
Current liabilities			
Accounts payable	1,223,495	-	1,223,495
Accrued payroll and benefits	56,639	-	56,639
Due to other funds	11,054,816	-	11,054,816
Due to other agencies	1,113,112	-	1,113,112
Due to affiliate partners	26,787,449	-	26,787,449
Due to MDHHS	1,124,011	-	1,124,011
Unearned revenue	6,841,385	-	6,841,385
Total current liabilities	48,200,907	-	48,200,907
	PY Total current liabilities		41,433,552
Net position			
Net investment in capital assets	13,000	-	13,000
Restricted for risk management	-	11,054,816	11,054,816
Unrestricted	(12,944,835)	-	(12,944,835)
Total net position	\$ (12,931,835)	\$ 11,054,816	\$ (1,877,019)
	PY Total net position		(13,063,242)

Community Mental Health Partnership of Southeast Michigan
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Operating revenues			
State funding			
Medicaid capitation	\$ 145,943,386	\$ -	\$ 145,943,386
Healthy Michigan	20,963,014	-	20,963,014
Autism	13,805,986	-	13,805,986
Incentives	1,881,899	-	1,881,899
Medicaid - substance use	3,198,093	-	3,198,093
PA2 revenues	2,010,307	-	2,010,307
Substance use - State portion	645,711	-	645,711
Total State funding	188,448,396	-	188,448,396
Federal grant funding			
Substance use - Federal portion	6,157,377	-	6,157,377
Block grant	154,804	-	154,804
Total Federal grant funding	6,312,181	-	6,312,181
Affiliation charges	100,302	-	100,302
Contributions - Local match drawdown	1,259,140	-	1,259,140
Total operating revenues	196,120,019	-	196,120,019
	PY Operating revenues		177,934,543
Operating expenses			
Funding for affiliate partners			
Lenawee Community Mental Health Authority	18,330,524	-	18,330,524
Community Mental Health Services of Livingston County	33,178,947	-	33,178,947
Monroe Community Mental Health Authority	33,622,034	-	33,622,034
Washtenaw County Community Mental Health	77,455,397	-	77,455,397
Total funding for CMHSP partners	162,586,902	-	162,586,902
	PY Funding for CMHSP partners		163,637,689
Substance use disorder expense			
Contracted services - Medicaid and Healthy Michigan	4,341,086	-	4,341,086
Contracted services - PA2	2,010,307	-	2,010,307
Contracted services - Prevention	1,190,811	-	1,190,811
Contracted services - State agreement	3,709,235	-	3,709,235
SUD administrative expense	2,370,333	-	2,370,333
Total substance use disorder expense	13,621,772	-	13,621,772
	PY SUD expenses		14,888,883
Other contractual obligations			
Hospital Rate Adjuster	3,980,155	-	3,980,155
Use and HICA Tax	1,694,312	-	1,694,312
Local match expense	1,259,140	-	1,259,140
Total other contractual obligations	6,933,607	-	6,933,607
	PY Other contractual obligations		7,423,528
Administrative expense			
Board per diem	40	-	40
Capital outlay - under \$5,000	43,752	-	43,752
Conventions	2,046	-	2,046
Depreciation expense	26,000	-	26,000
Dues and memberships	8,138	-	8,138
Insurance	9,396	-	9,396

Community Mental Health Partnership of Southeast Michigan
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Administrative expense (continued)			
Legal and accounting	\$ 35,433	\$ -	\$ 35,433
Professional contracts	533,814	-	533,814
Rent	42,131	-	42,131
Salaries and fringes	1,053,330	-	1,053,330
Supplies	19,555	-	19,555
Travel and training	7,219	-	7,219
Utilities	23,387	-	23,387
Total administrative expense	1,804,241	-	1,804,241
		PY Administrative expenses	2,110,916
Total operating expenses	184,946,522	-	184,946,522
		PY Total operating expenses	188,061,016
Operating income (loss)	11,173,497	-	11,173,497
Nonoperating revenues (expenses)			
Investment income	12,726	-	12,726
Total nonoperating revenues (expenses)	12,726	-	12,726
Transfer in (out)	(11,054,816)	11,054,816	-
Change in net position	131,407	11,054,816	11,186,223
	PY Change in net position	-	(10,096,970)
Net position, beginning of year	(13,063,242)	-	(13,063,242)
Net position, end of year	\$ (12,931,835)	\$ 11,054,816	\$ (1,877,019)

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Michigan's statutory authority allows governmental entities to invest in the following investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investments Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

At September 30th the carrying amount of the Entity's cash and cash equivalents are as follows:

Description	Amount
Checking, savings and money market	10,814,337
Total	10,814,337

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Entity's deposits may not be returned. State law does not require and the Entity does not have a policy for deposit custodial credit risk. **As of year-end \$10,555,444 of the Entity's bank balance of \$10,820,691 was exposed to custodial credit risk because it was uninsured and uncollateralized.** Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Entity believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Entity evaluates each financial institution with which it deposits funds and assesses the level of risk at each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Investments

State statutes authorize the Entity to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the

above investments. See above for a listing of the Entity's investments. The Entity's investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

NOTE 3 – ACCOUNTS RECEIVABLE

The Entity believes that the accounts receivable will be collected in full and therefore the receivable balance has not been offset by an allowance for doubtful accounts.

NOTE 4 - DUE FROM OTHER AGENCIES

Due from other agencies as of September 30th consists of the following:

Description	Amount
Lenawee County PA2	73,768
Livingston County PA2	230,199
Monroe County PA2	164,729
Washtenaw County PA2	447,738
Other	1,030
Total	917,464

NOTE 5 - DUE FROM AFFILIATE PARTNERS

Due from other affiliate partners as of September 30th consists of the following:

Description	Amount
Lenawee Community Mental Health Authority	2,677,818
Community Mental Health Services of Livingston County	3,075,073
Washtenaw County Community Mental Health	2,268,182
Totals	8,021,073

NOTE 6 - DUE FROM MDHHS

Due from MDHHS as of September 30th consists of the following:

Description	Amount
Due from MDHHS – HSW	184,551
Due from MDHHS – PBIP Bonus	1,520,392
Due from MDHHS – PIHP Withhold	258,681
Due from MDHHS – FY18 State Shared Risk	7,517,412
Due from MDHHS – FY19 State Shared Risk	3,479,703
Due from MDHHS – HRA 4 th Quarter	1,113,112
Grants receivable	1,368,600
Totals	15,442,451

NOTE 13 - OPERATING LEASES

The Entity has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately \$113,491.

The future minimum lease obligations as of September 30th, were as follows:

Year Ending September 30 th	Amount
2021	122,699
2022	126,380
2023	130,171
2024	134,076
2025	33,765

NOTE 14 - RISK MANAGEMENT

Commercial Insurance

The Entity is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Entity has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Risk Reserve Fund

The Entity covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The Entity and MDHHS equally share the costs between 105% to 110% of the contract amounts. Costs in excess of 110% of the contract are covered entirely by MDHHS.

The Entity has established a Medicaid Risk Reserve Fund, in accordance with Michigan Department of Health and Human Services guidelines, to assist in managing any potential operating shortfalls (as noted above) under the terms of its contract with the MDHHS.

NOTE 15 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the Entity is subject to periodic audits of its agreements, as well as a cost settlement process under the full management contract with the state. Such audits could lead to questioned costs and/or requests for reimbursement to the grantor or regulatory agencies. Cost settlement adjustments, if any, as a result of compliance audits are recorded in the year that the settlement is finalized. The amount of expenses which may be disallowed, if any, cannot be determined at this time, although the Entity expects such amounts, if any, to be immaterial.

NOTE 16 – ECONOMIC DEPENDENCE

The Entity receives over 95% of its revenues directly from MDHHS.

NOTE 17 – GOING CONCERN

As of the financial statement date, the Entity has a deficit net position of \$(12,931,835) in its Mental Health Operating Fund. During fiscal year 2018, the Entity liquidated the remaining investments in its Medicaid Risk Reserve (ISF) and therefore had no risk reverses for fiscal year 2019. During fiscal year 2020, the Entity has made a \$11,054,816 contribution into its Internal Service Fund for the purpose of insuring against risk. While this contribution into the Internal Service Fund has reduced the Entity's unfunded risk, the total net position for all proprietary is \$(1,877,019) and therefore, the going concern remains.

As of the date of the opinion, there is evidence to show that the Entity will be unable to continue to meet its obligations as they become due within 12 months from the financial statement date. The Entity has incurred substantial annual deficits in the preceding 3 fiscal years which raises substantial doubt about its ability to continue as a going concern.

Mitigating factors that could play a role in the Entity's ability to continue as a going concern are disclosed in Note 18.

NOTE 18 – POTENTIAL MITIGATING FACTORS

As of the date of the opinion, the Entity has taken steps to challenge the determination that capitation payments received from Michigan Department of Health and Human Services (MDHHS) were sufficient to provide for the needs of the consumers in the 4-county region that is served by the Entity. These financial statements do not include any outcome that might result from this challenge.

NOTE 19 – DEFICIT NET POSITION

As of the financial statement date, the Entity is in a deficit net position. As outlined in Numbered Letter 2016-1 issued by the Department of Treasury, this deficit does not pass the 4 Step test for proprietary funds to determine if a deficit elimination plan is required. Therefore, the Entity is required to file a deficit elimination plan with the State.

NOTE 20 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the Entity's 2020-2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Entities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Entity's 2021-2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**Community Mental Health Partnership
of Southeast Michigan**

Financial Statements
September 30, 2020



Independent Auditor's Report

Management's Discussion and Analysis	I-V
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Basic Financial Statements

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Entity, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that Community Mental Health Partnership of Southeast Michigan will continue as a going concern. As discussed in Note 17 to the financial statements, Community Mental Health Partnership of Southeast Michigan has a deficit net position of \$(12,931,835) in the Mental Health Fund and has incurred substantial annual deficits in the preceding fiscal years which raises substantial doubt about its ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." The signature is written in a cursive, flowing style.

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

April 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



Responsibility

The Community Mental Health Partnership of Southeast Michigan (CMHPSM) came into existence on January 1, 2014 as a result of the State of Michigan's consolidation of the 18 Prepaid Inpatient Health Plans (PIHP) operated by select Community Mental Health Service Programs (CMHSPs), into 10 distinct regional entities acting as PIHPs, created by the CMHSPs. As the PIHP, the CMHPSM is primarily responsible for the operation of the following:

1. Concurrent 1915(b)/(c) Medicaid Waivers
2. 1115i Waiver
3. Healthy Michigan Plan
4. Autism Benefit
5. Substance Use Disorder Funding (Medicaid, HMP, Block Grant, PA2)
6. Other Public Funding within its designated four-county Region of Lenawee, Livingston, Monroe and Washtenaw

As part of the operation of these programs, the CMHPSM must ensure that it is staffed so that it has enough administrative capability to carry out the requirements and obligations of the Specialty Service contract.

Mission

Through effective partnerships, the CMHPSM ensures and supports the provision of high-quality integrated care that is cost effective and focuses on improving the health, wellness and quality of life of people living in our region.

Financial Overview

Financial statements provided use the Enterprise Fund Presentation, which is a form of Proprietary Fund.

The Proprietary Fund financial statements are designed to provide readers with a broad overview of the organization's finances in a manner similar to a private sector business. Business type activities include services primarily funded through user charges.

Within the enterprise fund used to record the Revenues and Expenses associated with Operations, further structure was developed in order to identify the following:

1. Detail of the different funding sources provided to the CMHPSM.
2. Detail of Finance, Information Management and other Administrative expenses required to operate the CMHPSM.
3. Detail of the funding provided by the CMHPSM to the four CMHSPs and Substance Abuse services by program.

The structure of the CMHPSM's Revenues and Expenses in this manner supports both the development of the Financial Statements for the Annual Financial Audit, as well as the State of Michigan contractual reporting.

The CMHPSM has one Proprietary Fund for recording of Revenues and Expenses associated with the PIHP Operations, and a second Fund for the recording of funding related to the PIHP's Internal Services Fund (ISF). The ISF is the primary element of the CMHPSM's Risk Management Strategy to protect service delivery at the four CMHSP's should unexpected expense increases, or revenue reductions occur without sufficient time to respond given the resources planned to be available during the Budget Development Cycle.

Fund Financial Statements

The proprietary funds financial statements are intended to provide an overview of CMHPSM's major areas of funding as the PIHP. Funds are separated to maintain the integrity of the reporting and to meet all funding and regulatory restrictions on the allowable expenses of each funding source.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the financial data provided in the financial statements. These notes are an integral part of the financial statements and should be viewed in conjunction with the information included in the statements.

Statement of Net Position

The CMHPSM's Net Position is comprised entirely of resources (Internal Service Fund) that are subject to external restrictions on how they may be used. By the State of Michigan's design, CMHPSM does not have any Local Reserves.

	<u>2019</u>	<u>2020</u>
Assets		
Cash and Cash Equivalents – Unrestricted	\$ 10,533,110	\$ 10,814,337
Investments – Restricted	0	0
Receivables	17,199,574	35,435,804
Prepaid Expenses	87,012	60,747
Capital Assets	<u>39,000</u>	<u>13,000</u>
Total Assets	\$27,858,696	\$ 46,323,888
Liabilities		
Accounts Payable and Accrued Liabilities	\$33,393,406	\$ 41,359,522
Unearned Revenue	<u>6,992,496</u>	<u>6,841,385</u>
Total Liabilities	\$40,385,902	\$ 48,200,907
Net Position		
Net investment in capital assets	39,000	\$ 13,000
Restricted for Risk Management		\$ 11,054,816
Unrestricted	<u>(12,566,206)</u>	<u>(12,944,835)</u>
Total Net Position	<u>\$(12,527,206)</u>	<u>\$ (1,877,019)</u>

Statement of Activities Including Change in Net Position

The statement of activities lists the major areas of funding received by the CMHPSM. Funding provided for Mental Health Managed Specialty Supports and Services Concurrent Waiver Programs by the Michigan Department of Health and Human Services (MDHHS) represents 93.8% of the total funding and Substance Use Disorder Services and Federal Grants represent 4.6% received by the CMHPSM. Funding provided for the balance are Local Match Drawdown that are collected by the CMHPSM from the CMHSPs and passed on to MDHHS as required by the CMHPSM contract with MDHHS.

During the fiscal year ended September 30, 2020, the net position of CMHPSM increased by approximately \$11,000,000 due to decreased CMHSP expenditures and increased funding from MDHHS.

Revenues	<u>2020</u>
Federal Grant Funding	\$ 6,312,181
Medicaid Capitation	145,943,386
Healthy Michigan Plan	20,963,014
Autism	13,805,986
Medicaid Substance Use	3,198,093
PA2	2,010,307
Substance Use Disorder-State portion	645,711
Affiliation Charges	100,302
Contributions – Local Match Drawdown from CMHSPs	1,259,140
Incentives	1,881,899
Investment Income	<u>12,726</u>
Total Revenues	\$196,132,745
Expenditures	
Funding for Lenawee CMHSP	\$18,330,524
Funding for Livingston CMHSP	33,178,947
Funding for Monroe CMHSP	33,622,034
Funding for Washtenaw CMHSP	77,455,397
SUD Expenditures	13,621,772
Hospital Rate Adjuster Payments	3,980,155
Insurance Provider Assessment Tax	1,694,312
Local Match Drawdown	1,259,140
Administrative Expense	<u>1,804,241</u>
Total Expenditures	\$184,946,522
Excess of Expenditures Over Revenue	11,186,223

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Factors Impacting The Future

There are many factors impacting the Community Mental Health Partnership of Southeast Michigan (CMHPSM) as the Pre-Paid Inpatient Health Plan (PIHP), and its four Community Mental Health Service Program (CMHSP) partners within our four-county region. Projecting and budgeting revenue continue to be a difficult endeavor due to the volatile nature of our funding streams derived from MDHHS. Forecasting the costs of delivering behavioral health services within the CMHPSM region is always complicated. The CMHPSM region is a long-established partnership that has year after year managed its expenditures within the revenue allocated until rates were redeveloped beginning in FY2016 for FY2017. While the deficits of FY2017, FY2018 and FY2019 continue to impact the financial position of the CMHPSM, the strong financial showing in FY2020 has significantly reversed that trend.

Revenue

There are issues related to revenue forecasting every year due to the lag in rate setting information for each upcoming fiscal year. The budget for each fiscal year is developed several months prior to Michigan Department of Health and Human Services (MDHHS) notification of capitation payment rates and eligible estimates. The CMHPSM Board of Directors reviews and approves an initial annual budget in September for the subsequent fiscal year beginning on October 1. Development of the annual budget begins in April, six months prior to its implementation. The statewide actuarial certification for capitation payments is not typically complete and added to our PIHP contract until nearly the start of the fiscal year.

Revenue from the capitated payments that the CMHPSM receives as the PIHP is derived by the number of actual eligible individuals within the four-county region, which fluctuates continually every month. The difficulty in projecting revenue stems from this ongoing uncertainty of both the number of eligible individuals within each program eligibility category and the capitation payment rates associated with those programs. The CMHPSM receives PMPM (Per Member Per Month) capitation payments for everyone who has Medicaid, Healthy Michigan and/or Habilitation Supports Waiver insurance coverage in that given month. The total revenue received in these monthly payments, is derived from a rate setting methodology which is considered to be actuarially sound on a statewide basis. FY2020 saw a significant increase in Healthy Michigan and TANF Medicaid eligibles which increased our region's revenue for the second half of FY2020.

Beginning in FY2020 a rate methodology change was partially implemented, at a rate of 50% FY2019 methodology and 50% new methodology. The more lucrative rate methodology will be fully implemented in FY2021. The capitation rates are more favorable to the CMHPSM in comparison to the previous rate methodology in place for FY2017, FY2018 and FY2019. Moving forward MDHHS has committed to continued transparency related to the rate setting and capitation payment systems.

Expenses

The CMHPSM region has experienced a decrease in our service expenditure levels regionally during FY2020 due to the COVID pandemic. The service delivery system pivoted to more telehealth services, less congregated service settings and an overall reduction in CMHSP services. The PIHP has also decreased expenditures in substance use disorder services across the region. It is expected that both mental health and substance use disorder services will return to pre-pandemic levels in the future.

Financial Status

The continued uncertainty related to the future of PIHPs and CMHSPs impacts our look to the future as well. Upcoming changes to the Michigan's Medicaid waiver applications, rate setting practices, program expansions, and service array make projections for the future difficult.

The difference between expenditures and revenue during FY2018 and FY2019 continues to be a point of contention between the CMHPSM region and MDHHS. The CMHPSM and its partner CMHSPs filed an administrative appeal to MDHHS related to this point of contention. At the heart of the appeal is that the PIHP has not been provided with the revenue necessary to deliver the medically necessary services that individuals are entitled to as eligible Medicaid enrollees during the contended fiscal years. The CMHPSM and its partner CMHSPs continue to have an outstanding legal action against the State of Michigan. Resolution of the legal action would presumably impact the financial status of the CMHPSM.

The CMHPSM region is concurrently working with MDHHS on an alternative deficit repayment solution that would bring more clarity to the financial status of the region.

The financial status of the CMHPSM will be significantly altered upon the resolution of outstanding legal action and/or a potential deficit repayment solution. The financial status of the CMHPSM in FY2020 is trending positively, and includes a significant contribution to the ISF. Current and future financial status projections are more closely aligned with the majority of our region's positive fiscal history, rather than the outlier fiscal years of 2017, 2018 and 2019. The CMHPSM projects to have a much clearer picture of our financial status during FY2021.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Community Mental Health Partnership of Southeast Michigan. Questions concerning this information may be directed to Matt Berg, CMHPSM CFO at 3005 Boardwalk Dr. Suite 200, Ann Arbor, Michigan 48108.

BASIC FINANCIAL STATEMENTS



Community Mental Health Partnership of Southeast Michigan
Statement of Net Position
September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Current assets			
Cash and cash equivalents	\$ 10,814,337	\$ -	\$ 10,814,337
Due from other funds	-	11,054,816	11,054,816
Due from other agencies	917,464	-	917,464
Due from affiliate partners	8,021,073	-	8,021,073
Due from MDHHS	15,442,451	-	15,442,451
Prepaid expenses	60,747	-	60,747
Total current assets	<u>35,256,072</u>	<u>11,054,816</u>	<u>46,310,888</u>
Noncurrent assets			
Capital assets being depreciated, net	13,000	-	13,000
Total noncurrent assets	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Current liabilities			
Accounts payable	1,223,495	-	1,223,495
Accrued payroll and benefits	56,639	-	56,639
Due to other funds	11,054,816	-	11,054,816
Due to other agencies	1,113,112	-	1,113,112
Due to affiliate partners	26,787,449	-	26,787,449
Due to MDHHS	1,124,011	-	1,124,011
Unearned revenue	6,841,385	-	6,841,385
Total current liabilities	<u>48,200,907</u>	<u>-</u>	<u>48,200,907</u>
Net position			
Net investment in capital assets	13,000	-	13,000
Restricted for risk management	-	11,054,816	11,054,816
Unrestricted	<u>(12,944,835)</u>	<u>-</u>	<u>(12,944,835)</u>
Total net position	<u><u>\$ (12,931,835)</u></u>	<u><u>\$ 11,054,816</u></u>	<u><u>\$ (1,877,019)</u></u>

Community Mental Health Partnership of Southeast Michigan
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Operating revenues			
State funding			
Medicaid capitation	\$ 145,943,386	\$ -	\$ 145,943,386
Healthy Michigan	20,963,014	-	20,963,014
Autism	13,805,986	-	13,805,986
Incentives	1,881,899	-	1,881,899
Medicaid - substance use	3,198,093	-	3,198,093
PA2 revenues	2,010,307	-	2,010,307
Substance use - State portion	645,711	-	645,711
Total State funding	188,448,396	-	188,448,396
Federal grant funding			
Substance use - Federal portion	6,157,377	-	6,157,377
Block grant	154,804	-	154,804
Total Federal grant funding	6,312,181	-	6,312,181
Affiliation charges	100,302	-	100,302
Contributions - Local match drawdown	1,259,140	-	1,259,140
Total operating revenues	196,120,019	-	196,120,019
Operating expenses			
Funding for affiliate partners			
Lenawee Community Mental Health Authority	18,330,524	-	18,330,524
Community Mental Health Services of Livingston County	33,178,947	-	33,178,947
Monroe Community Mental Health Authority	33,622,034	-	33,622,034
Washtenaw County Community Mental Health	77,455,397	-	77,455,397
Total funding for CMHSP partners	162,586,902	-	162,586,902
Substance use disorder expense			
Contracted services - Medicaid and Healthy Michigan	4,341,086	-	4,341,086
Contracted services - PA2	2,010,307	-	2,010,307
Contracted services - Prevention	1,190,811	-	1,190,811
Contracted services - State agreement	3,709,235	-	3,709,235
SUD administrative expense	2,370,333	-	2,370,333
Total substance use disorder expense	13,621,772	-	13,621,772
Other contractual obligations			
Hospital Rate Adjuster	3,980,155	-	3,980,155
Use and HICA Tax	1,694,312	-	1,694,312
Local match expense	1,259,140	-	1,259,140
Total other contractual obligations	6,933,607	-	6,933,607
Administrative expense			
Board per diem	40	-	40
Capital outlay - under \$5,000	43,752	-	43,752
Conventions	2,046	-	2,046
Depreciation expense	26,000	-	26,000
Dues and memberships	8,138	-	8,138
Insurance	9,396	-	9,396

Community Mental Health Partnership of Southeast Michigan
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Administrative expense (continued)			
Legal and accounting	\$ 35,433	\$ -	\$ 35,433
Professional contracts	533,814	-	533,814
Rent	42,131	-	42,131
Salaries and fringes	1,053,330	-	1,053,330
Supplies	19,555	-	19,555
Travel and training	7,219	-	7,219
Utilities	23,387	-	23,387
Total administrative expense	1,804,241	-	1,804,241
Total operating expenses	184,946,522	-	184,946,522
Operating income (loss)	11,173,497	-	11,173,497
Nonoperating revenues (expenses)			
Investment income	12,726	-	12,726
Total nonoperating revenues (expenses)	12,726	-	12,726
Transfer in (out)	(11,054,816)	11,054,816	-
Change in net position	131,407	11,054,816	11,186,223
Net position, beginning of year	(13,063,242)	-	(13,063,242)
Net position, end of year	<u>\$ (12,931,835)</u>	<u>\$ 11,054,816</u>	<u>\$ (1,877,019)</u>

Community Mental Health Partnership of Southeast Michigan
Statement of Cash Flows
For the Year Ended September 30, 2020

	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Cash flows from operating activities			
Receipts from the State and other governments	\$ 203,523,470	\$ (11,054,816)	\$ 192,468,654
Payments to employees	(1,033,567)	-	(1,033,567)
Payments to affiliates and other governments	(177,593,686)	-	(177,593,686)
Payments to suppliers and providers	(13,572,900)	-	(13,572,900)
Net cash provided by (used in) operating activities	<u>11,323,317</u>	<u>(11,054,816)</u>	<u>268,501</u>
Cash flows from noncapital financing activities			
Transfers from other funds	(11,054,816)	11,054,816	-
Net cash provided by (used in) noncapital financing activities	<u>(11,054,816)</u>	<u>11,054,816</u>	<u>-</u>
Cash flows from investment activities			
Investment income	12,726	-	12,726
Sale (purchase) of investments	-	-	-
Net cash provided by (used in) investment activities	<u>12,726</u>	<u>-</u>	<u>12,726</u>
Net increase in cash and cash equivalents	281,227	-	281,227
Cash and cash equivalents, beginning of year	<u>10,533,110</u>	<u>-</u>	<u>10,533,110</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,814,337</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,814,337</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 11,173,497	\$ -	\$ 11,173,497
Depreciation expense	26,000	-	26,000
Changes in assets and liabilities:			
Due from other funds	-	(11,054,816)	(11,054,816)
Due from other agencies	(499,938)	-	(499,938)
Due from affiliate partners	(4,809,337)	-	(4,809,337)
Due from MDHHS	(1,360,525)	-	(1,360,525)
Prepaid expenses	26,265	-	26,265
Accounts payable	747,518	-	747,518
Accrued payroll and benefits	19,763	-	19,763
Due to other funds	11,054,816	-	11,054,816
Due to other agencies	178,024	-	178,024
Due to affiliate partners	(3,263,840)	-	(3,263,840)
Due to MDHHS	(1,817,815)	-	(1,817,815)
Unearned revenue	(151,111)	-	(151,111)
Net cash provided by (used in) operating activities	<u><u>\$ 11,323,317</u></u>	<u><u>\$ (11,054,816)</u></u>	<u><u>\$ 268,501</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Community Mental Health Partnership of Southeast Michigan (the Entity) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Entity.

Reporting Entity

Community Mental Health Partnership of Southeast Michigan was formed by the Community Mental Health Services Program (CMHSP) Participants to serve as the prepaid inpatient health plan ("PIHP") for the four counties designated by the Michigan Department of Health and Human Services as Region 6. The CMHSP Participants include Lenawee Community Mental Health Authority, Community Mental Health Services of Livingston County, Monroe Community Mental Health Authority and Washtenaw County Community Mental Health.

Community Mental Health Partnership of Southeast Michigan is a regional entity, which was formed pursuant to 1974 P.A. 258, as amended, MCL §330.1204b, as a public governmental entity separate from the CMHSP Participants that established it.

Financial Statement Presentation

Under GASB 34, the Entity is considered a special purpose government and has elected to present the basic statements as an Enterprise Fund (a type of proprietary fund) which is designed to be self-supporting. Enterprise Funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the Entity are charges related to serving its customers (including primarily "per member per month" capitation and state and county appropriations). Operating expenses for the Entity include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses including investment income and interest expense.

As a general rule, the effect of interfund activity has been eliminated when presenting total proprietary fund activity.

All amounts shown are in U.S. dollars.

Fund Accounting

The accounts of the Entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Entity reports the following major enterprise fund:

Mental Health Operating – This fund is used to account for those activities that are financed and operated in a manner similar to private business relating to revenues earned, costs incurred, and/or net income. This fund of the Entity accounts for its general operations.

In addition, the Entity reports the following major internal service fund:

Medicaid Risk Reserve – This fund is used to cover the risk of overspending the Medicaid Managed Care Specialty Services Program Contract within the established risk corridor. This contract provides for the use of Department of Health and Human Services funding for the establishment of Internal Service Funds. Expenses from this fund will occur when, in any one fiscal year, the Entity finds it necessary to expend more to provide services to carry out the contract requirements than revenue provided by the contract.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. The proprietary funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The

proprietary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Entity's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

Investments

Investments for the Entity are reported at fair value (generally based on quoted market prices).

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable is stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from/to the CMHSP Participants and the State of Michigan.

Inventories

The Entity does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the Entity as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Entity are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Computers and Software	3

The Entity reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Accrued Payroll and Benefits

Accrued payroll and benefits relate to salaries and wages earned in September but not paid until October.

Unearned Revenue

The Entity reports unearned revenue when revenue does not meet either the “measurable” and “available” criteria for recognition in the current period, or when resources are received by the Entity before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Entity has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Compensated Absences

Accumulated compensated absences (i.e., paid time off) are reported as expenses when used. Employees are not paid for the accumulated compensated absences when separating from the Entity.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Entity has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Entity has no items that qualify for reporting in this category.

Net PositionNet investment in capital assets

This category consists of capital asset balances, net of accumulated depreciation, less outstanding balances of debt related to those assets.

Restricted

Net position in this category is reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unrestricted

If net position does not meet the criteria for the above categories, it is reported as unrestricted.

In addition, the Entity will first use restricted resources when an expense is incurred for purposes for which either restricted or unrestricted net position is available.

Restrictions on Net PositionMedicaid Risk Reserve

The Entity authorized the establishment of an internal service fund. This fund is used to cover the risk of overspending the Managed Care Specialty Services Program Contract within the established risk corridor. This contract provides for the use of Michigan Department of Health and Human Services (MDHHS) funding for the establishment of Internal Service Funds.

Expenses from this fund will occur when, in any one fiscal year, the Entity finds it necessary to expend more to provide services to carry out the contract requirements than revenue provided by the contract.

MDHHS Revenue

The Entity serves as the Pre-Paid Inpatient Health Plan for the area that includes Lenawee, Livingston, Monroe and Washtenaw Counties. The Entity contracts directly with the MDHHS to administer mental health and substance abuse revenues for covered services provided to eligible residents of these counties.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Michigan's statutory authority allows governmental entities to invest in the following investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investments Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

At September 30th the carrying amount of the Entity's cash and cash equivalents are as follows:

Description	Amount
Checking, savings and money market	10,814,337
Total	10,814,337

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Entity's deposits may not be returned. State law does not require and the Entity does not have a policy for deposit custodial credit risk. As of year-end \$10,555,444 of the Entity's bank balance of \$10,820,691 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Entity believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Entity evaluates each financial institution with which it deposits funds and assesses the level of risk at each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Investments

State statutes authorize the Entity to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the

above investments. See above for a listing of the Entity's investments. The Entity's investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

NOTE 3 – ACCOUNTS RECEIVABLE

The Entity believes that the accounts receivable will be collected in full and therefore the receivable balance has not been offset by an allowance for doubtful accounts.

NOTE 4 - DUE FROM OTHER AGENCIES

Due from other agencies as of September 30th consists of the following:

Description	Amount
Lenawee County PA2	73,768
Livingston County PA2	230,199
Monroe County PA2	164,729
Washtenaw County PA2	447,738
Other	1,030
Total	917,464

NOTE 5 - DUE FROM AFFILIATE PARTNERS

Due from other affiliate partners as of September 30th consists of the following:

Description	Amount
Lenawee Community Mental Health Authority	2,677,818
Community Mental Health Services of Livingston County	3,075,073
Washtenaw County Community Mental Health	2,268,182
Totals	8,021,073

NOTE 6 - DUE FROM MDHHS

Due from MDHHS as of September 30th consists of the following:

Description	Amount
Due from MDHHS – HSW	184,551
Due from MDHHS – PBIP Bonus	1,520,392
Due from MDHHS – PIHP Withhold	258,681
Due from MDHHS – FY18 State Shared Risk	7,517,412
Due from MDHHS – FY19 State Shared Risk	3,479,703
Due from MDHHS – HRA 4 th Quarter	1,113,112
Grants receivable	1,368,600
Totals	15,442,451

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated					
Computers and software	78,000	-	-	-	78,000
Total capital assets being depreciated	78,000	-	-	-	78,000
Accumulated depreciation					
Computers and software	(39,000)	(26,000)	-	-	(65,000)
Total accumulated depreciation	(39,000)	(26,000)	-	-	(65,000)
Capital assets being depreciated, net	39,000	(26,000)	-	-	13,000

NOTE 8 - DUE TO OTHER AGENCIES

Due to other agencies as of September 30th consists of the following:

Description	Amount
Hospital Rate Adjustment (HRA)	1,113,112
Total	1,113,112

NOTE 9 - DUE TO AFFILIATE PARTNERS

Due to Affiliate Partners as of September 30th consists of the following:

Description	Amount
Lenawee Community Mental Health Authority	1,909,320
Community Mental Health Services of Livingston County	1,510,392
Monroe Community Mental Health Authority	8,502,380
Washtenaw County Community Mental Health	14,865,357
Total	26,787,449

NOTE 10 - DUE TO MDHHS

Due to MDHHS as of September 30th consists of the following:

Description	Amount
Due to MDHHS – IPA tax	417,678
Due to MDHHS – HSW	(2,195)
Due to MDHHS – SUD lapse	71,790
Due to MDHHS - DCW lapse	636,738
Total	1,124,011

NOTE 11 - UNEARNED REVENUE

The amount reported as unearned revenue represents revenues received in advance of the period earned as follows:

Description	Amount
Unearned PA2 revenues	6,841,385
Total	6,841,385

NOTE 12 – RETIREMENT PLANS

Defined Contribution Retirement Plan – 401(a)

Plan Description

The Entity offers all employees a retirement plan created in accordance with the Internal Revenue Code, Section 401(a). The assets of the plan were held in trust for the exclusive benefit of the participants (employees) and their beneficiaries. United of Omaha Life Insurance Company acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 401(a) plan.

The assets may not be diverted to any other use. United of Omaha Life Insurance Company are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. Plan balances and activities are not reflected in the Entity's financial statements.

Plan provisions are established or amended by Board resolution. This plan is funded solely by employer contributions.

Eligibility

All employees are eligible once they are over the age of 21.

Contributions

The Entity matches (into the 401(a) plan) the first 3.0% of the employee contribution into the 457 plan. An additional employer match of up to 1.5% is available if the employee contributes up to an additional 3.0%. Maximum employer match is 4.5% with employee contribution of 6%.

Employee Contribution Example	Employer Contribution Example	Total Contribution
3%	3%	6%
Additional 1%	Additional .5%	7.5%
Additional 1%	Additional .5%	9%
Additional 1%	Additional .5%	10.5%

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 1/2 years of age. Contributions are vested immediately.

Forfeitures

Contributions are 100% vested immediately therefore there are no forfeitures.

Funding

For the year ended September 30th, employer contributions amounted to \$49,381. The outstanding liability to the plan at year-end was \$1,819.

Deferred Compensation Retirement Plan – 457

Plan Description

The Entity offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 for the exclusive benefit of the participants (employees) and their beneficiaries. United of Omaha Life Insurance Company acts as the custodian for the plan and holds the custodial account for the beneficiaries of this plan.

The assets may not be diverted to any other use. United of Omaha Life Insurance Company is the agent of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Entity's financial statements.

Plan provisions are established or amended by Board resolution. Under the plan, employees may elect to defer a portion of their wages, subject to Internal Revenue Service limits.

This plan is funded solely by employee contributions.

Eligibility

All employees are eligible once they are over the age of 21.

Contributions

The Entity matches (into the 401(a) plan) the first 3.0% of the employee contribution into the 457 plan. An additional employer match of up to 1.5% is available if the employee contributes up to an additional 3.0%. Maximum employer match is 4.5% with employee contribution of 6%.

Employee Contribution Example	Employer Contribution Example	Total Contribution
3%	3%	6%
Additional 1%	Additional .5%	7.5%
Additional 1%	Additional .5%	9%
Additional 1%	Additional .5%	10.5%

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 1/2 years of age. Contributions are vested immediately.

Forfeitures

Contributions are 100% vested immediately therefore there are no forfeitures.

Funding

For the year ended September 30th, contributions by employees amounted to \$85,250. The outstanding liability to the plan at year-end was \$1,273.

NOTE 13 - OPERATING LEASES

The Entity has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately \$113,491.

The future minimum lease obligations as of September 30th, were as follows:

Year Ending September 30 th	Amount
2021	122,699
2022	126,380
2023	130,171
2024	134,076
2025	33,765

NOTE 14 - RISK MANAGEMENT

Commercial Insurance

The Entity is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Entity has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Risk Reserve Fund

The Entity covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The Entity and MDHHS equally share the costs between 105% to 110% of the contract amounts. Costs in excess of 110% of the contract are covered entirely by MDHHS.

The Entity has established a Medicaid Risk Reserve Fund, in accordance with Michigan Department of Health and Human Services guidelines, to assist in managing any potential operating shortfalls (as noted above) under the terms of its contract with the MDHHS.

NOTE 15 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the Entity is subject to periodic audits of its agreements, as well as a cost settlement process under the full management contract with the state. Such audits could lead to questioned costs and/or requests for reimbursement to the grantor or regulatory agencies. Cost settlement adjustments, if any, as a result of compliance audits are recorded in the year that the settlement is finalized. The amount of expenses which may be disallowed, if any, cannot be determined at this time, although the Entity expects such amounts, if any, to be immaterial.

NOTE 16 – ECONOMIC DEPENDENCE

The Entity receives over 95% of its revenues directly from MDHHS.

NOTE 17 – GOING CONCERN

As of the financial statement date, the Entity has a deficit net position of \$(12,931,835) in its Mental Health Operating Fund. During fiscal year 2018, the Entity liquidated the remaining investments in its Medicaid Risk Reserve (ISF) and therefore had no risk reverses for fiscal year 2019. During fiscal year 2020, the Entity has made a \$11,054,816 contribution into its Internal Service Fund for the purpose of insuring against risk. While this contribution into the Internal Service Fund has reduced the Entity's unfunded risk, the total net position for all proprietary is \$(1,877,019) and therefore, the going concern remains.

As of the date of the opinion, there is evidence to show that the Entity will be unable to continue to meet its obligations as they become due within 12 months from the financial statement date. The Entity has incurred substantial annual deficits in the preceding 3 fiscal years which raises substantial doubt about its ability to continue as a going concern.

Mitigating factors that could play a role in the Entity's ability to continue as a going concern are disclosed in Note 18.

NOTE 18 – POTENTIAL MITIGATING FACTORS

As of the date of the opinion, the Entity has taken steps to challenge the determination that capitation payments received from Michigan Department of Health and Human Services (MDHHS) were sufficient to provide for the needs of the consumers in the 4-county region that is served by the Entity. These financial statements do not include any outcome that might result from this challenge.

NOTE 19 – DEFICIT NET POSITION

As of the financial statement date, the Entity is in a deficit net position. As outlined in Numbered Letter 2016-1 issued by the Department of Treasury, this deficit does not pass the 4 Step test for proprietary funds to determine if a deficit elimination plan is required. Therefore, the Entity is required to file a deficit elimination plan with the State.

NOTE 20 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the Entity's 2020-2021 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Entities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the Entity's 2021-2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Community Mental Health Partnership of Southeast Michigan (the Entity) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated April 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
April 30, 2021



**Community Mental Health Partnership of Southeast Michigan
Financial Statements
September 30, 2020**

Public Behavioral Health System Redesign / Transformation Discussion

There are multiple system re-design proposals that are making their way through various stakeholders connected to the public behavioral health system. Preliminary discussions are underway in numerous venues around these proposals. We wanted to start a conversation with the CMHPSM Board related to these potential proposals that will likely continue into the future.

System Redesign/Transformation

- General Overview of Known Redesign / Transformation Proposals
 - Senator Shirkey's Proposal
 - Representative Whiteford's Proposal
 - Potential Alternative Proposals
- Impacts to CMHSP / PIHP system
- MDHHS Response to Known Plans
- CMHAM Response to Known Plans
 - Call to Action Request / CMHAM Design Elements Document from 2020

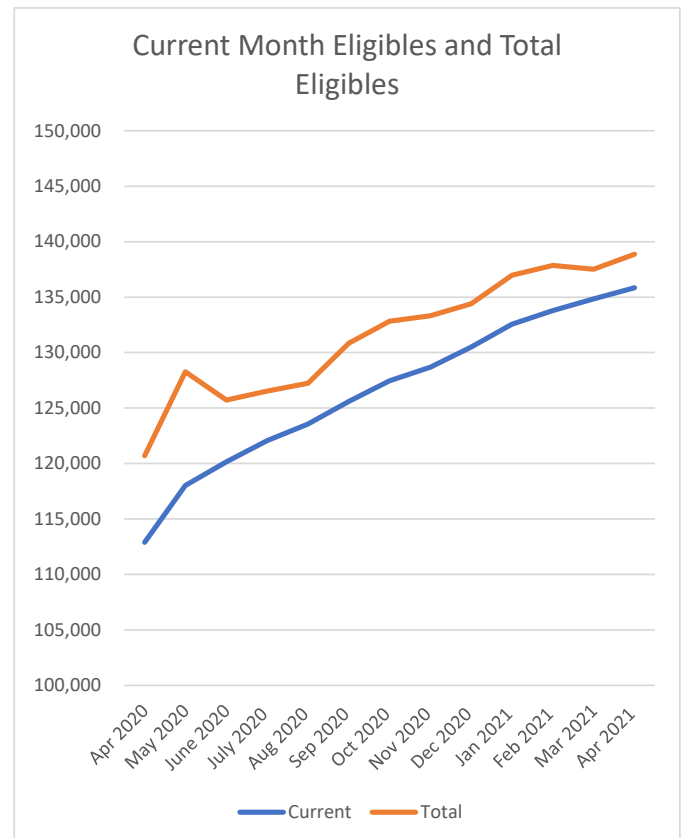
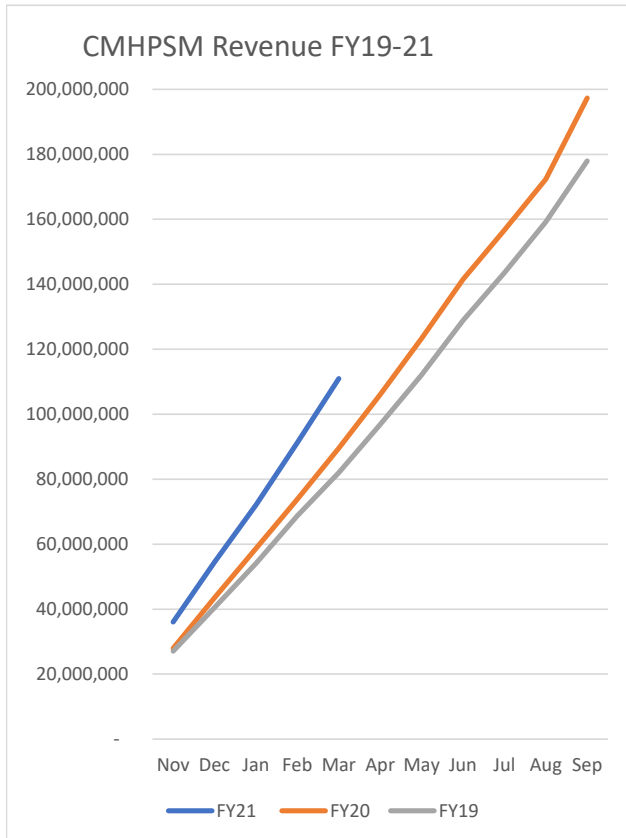
Integration at Service Level

- Knowledge from 298 Process
 - Final 298 Report:
[https://www.michigan.gov/documents/mdhhs/Final_Report_of_the_298_Facilitation_Workgroup - Version for Publication 554605 7.pdf](https://www.michigan.gov/documents/mdhhs/Final_Report_of_the_298_Facilitation_Workgroup_-_Version_for_Publication_554605_7.pdf)
- CCBHC / Health Home / Opioid Health Home Integration
- Proposed Unenrolled Complex Care Proposal

Moving Forward

- Incremental Improvements in the Public System
- Service Level Integration Opportunities
- Communication with PIHP Staff
- Communication with Stakeholders
- Impact to PIHP Operations
- Continued discussion with CMHPSM Board

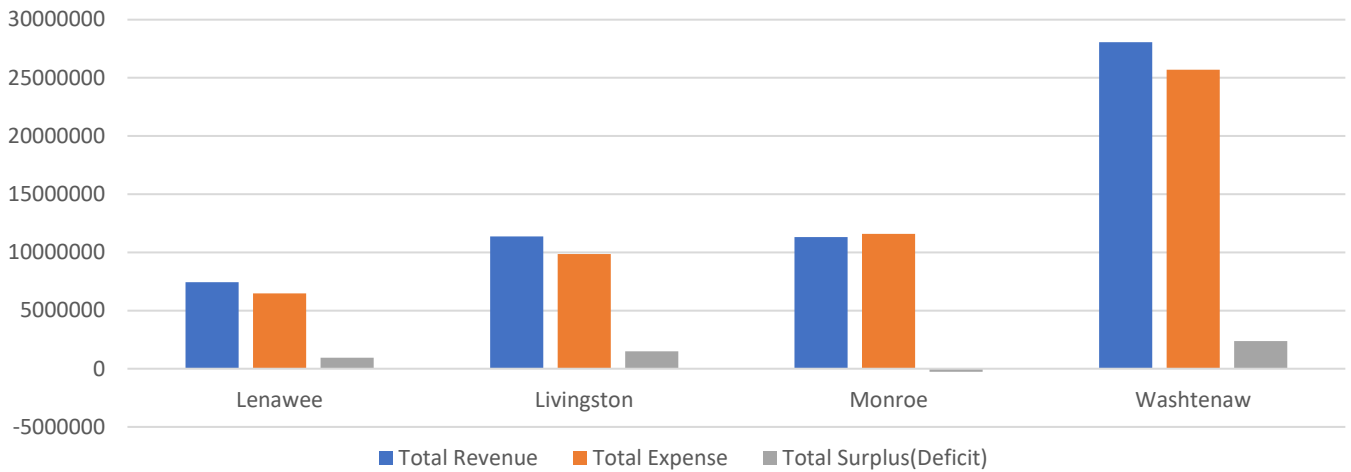
Community Mental Health Partnership of Southeast Michigan
Financial Summary for March 31, 2021



Operating Activities	Budget Revision 2	YTD Budget	YTD Actual	Actual O(U) Budget	Percent Variance	Projected Year-End	Projected O(U) Budget
MH Medicaid Revenue	197,806,782	98,313,545	98,818,901	505,356	0.5%	197,806,782	-
MH Medicaid Expenses	184,286,886	90,806,692	90,995,496	188,804	-0.2%	184,286,886	-
MH Medicaid Net	13,519,896	7,506,853	7,823,405	316,552		13,519,896	-
SUD/Grants Revenue	20,854,569	10,242,787	10,613,268	370,481	3.6%	20,854,569	-
SUD/Grants Expenses	18,083,702	9,043,851	8,292,403	751,448	8.3%	18,083,702	-
SUD/Grants Net	2,770,867	1,198,936	2,320,865	1,121,929		2,770,867	-
PIHP							
PIHP Revenue	3,156,410	1,578,205	1,575,268	(2,937)	-0.2%	3,156,410	-
PIHP Expenses	10,265,795	5,132,897	5,120,905	11,992	0.2%	10,265,795	-
PIHP Total	(7,109,385)	(3,554,692)	(3,545,637)	9,055		(7,109,385)	-
Total Revenue	221,817,761	110,134,537	111,007,437	872,900	0.8%	221,817,761	-
Total Expenses	212,636,383	104,983,440	104,408,804	574,636	0.5%	212,636,383	-
Total Net	9,181,378	5,151,097	6,598,633	1,447,536		9,181,378	-

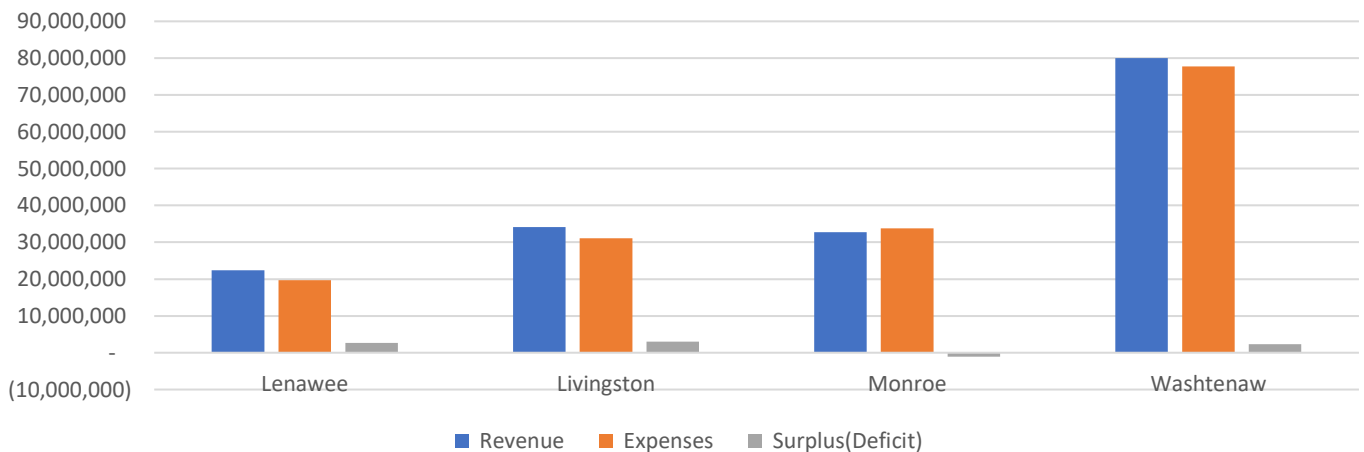
Regional CMH Revenue and Expenses
Preliminary March 2021 and
Fiscal Year 2020

February 2021 CMH Revenue & Expenses



Preliminary February 2021	Lenawee	Livingston	Monroe	Washtenaw	Region
Total Medicaid/HMP Revenue	9,430,943	14,483,696	14,751,155	35,840,600	74,506,394
Total Medicaid/HMP Expense	8,116,883	12,487,588	14,900,656	32,287,231	67,792,358
Total Medicaid/HMP Surplus(Deficit)	1,314,060	1,996,108	(149,501)	3,553,369	6,714,036

FY20 CMH Revenue & Expenses



Pre-settlement FY20	Lenawee	Livingston	Monroe	Washtenaw	Region
Total Medicaid/HMP Revenue	22,354,190	34,091,318	32,696,135	80,045,640	169,187,282
Total Medicaid/HMP Expense	19,667,958	31,053,161	33,763,159	77,752,562	162,236,840
Total Medicaid/HMP Surplus(Deficit)	2,686,232	3,038,157	(1,067,024)	2,293,078	6,950,442

Community Mental Health Partnership of Southeast Michigan
Preliminary Statement of Revenue and Expenses Notes
Period Ending March 31, 2021

Summary Page

1. Operating cash was \$12,724,066.28 at the end of March 2021 compared to \$3,612,172 at the end of March 2020.
2. The operating summary at the bottom of the page shows no significant variance from the approved budget.

Medicaid Mental Health

1. In April of 2021, MDHHS changed the allocation of Autism and DCW Premium pay across the state. Due to this change, we expect Autism to reduce its budget surplus over the remainder of the year and end up near budget. The projected lapse of DCW funds back to the state will probably not happen and our DCW revenue will be near DCW expenses at the end of FY21.
2. Waiver payments are near the reduced amounts in budget revision 2.
3. Initial HRA payments were lower than anticipated. We anticipate a second payment in April.
4. The PIHP is working with the CMHs to collect actual Medicaid/Healthy Michigan expenses. Due to the timing of Board Meetings, this report will generally be two months behind. Final details of the data collection process are under discussion. The report for February 2021 and Fiscal Year 2020 are on the previous page.

Medicaid & Grant – SUD

1. Healthy Michigan SUD payments are at about the revised budget.
2. Overall grant expenditures and revenues are above budget, some grants are more heavily spent and this trend may not continue.
3. The PA2 Revenue remains below budget. We expect to get another update on anticipated FY21 revenue in May.
4. Fee for Service expenditures are also below budget, but we anticipate this will pick up over the remainder of the year.

PIHP

1. Total PIHP revenue is close to budget.
2. Total PIHP expenses remain under budget.

Community Mental Health Partnership of Southeast Michigan
Preliminary Statement of Revenues and Expenditures
For the Period Ending March 31, 2021

	Budget Revision 2	YTD Budget	YTD Actual	Actual O(U) Budget	Percent Variance	Projected Year-End	Projected O(U) Budget
MEDICAID							
Revenue							
Medicaid (b) & 1115i	104,894,463	52,447,232	51,472,201	(975,031)	1.9%	104,894,463	-
Medicaid Waivers	43,203,339	23,401,808	23,312,301	(89,508)	0.4%	43,203,339	-
Healthy Michigan Revenue	16,494,475	8,247,237	8,352,510	105,272	-1.3%	16,494,475	-
Medicaid Autism	16,386,357	8,193,179	9,116,330	923,151	-11.3%	16,386,357	-
DCW Revenue	14,531,027	5,933,503	5,644,025	(289,478)	4.9%	14,531,027	-
DCW Lapse	(1,389,022)	(833,413)		833,413		(1,389,022)	-
HRA MCAID Revenue	2,070,992	520,000	517,748	(2,252)	0.4%	2,070,992	-
HRA HMP Revenue	1,615,152	404,000	403,788	(212)	0.1%	1,615,152	-
Medicaid Revenue Total	197,806,782	98,313,545	98,818,901	505,356	-0.5%	197,806,782	-
Medicaid Expenditures							
IPA MCAID	1,505,148	376,287	376,287	-	0.0%	1,505,148	-
IPA HMP	165,568	41,392	41,392	-	0.0%	165,568	-
HRA MC	2,070,992	520,000	517,748	2,252	0.4%	2,070,992	-
HRA HMP	1,615,152	404,000	403,788	212	0.1%	1,615,152	-
Lenawee CMH							
Medicaid (b) & 1115i	11,936,257	5,968,128	6,530,060	(561,931)	-9.4%	11,936,257	-
Medicaid Waivers	4,860,945	2,430,472	2,442,662	(12,190)	-0.5%	4,860,945	-
Healthy Michigan Expense	2,841,193	1,420,597	868,196	552,401	38.9%	2,841,193	-
Autism Medicaid	1,308,863	654,431	654,431	(0)	0.0%	1,308,863	-
DCW Expense	1,709,105	854,552	866,749	(12,197)	-1.4%	1,709,105	-
Lenawee CMH Total	22,656,362	11,328,181	11,362,099	(33,918)	-0.3%	22,656,362	-
Livingston CMH							
Medicaid (b) & 1115i	17,167,072	8,583,536	8,808,952	(225,416)	-2.6%	17,167,072	-
Medicaid Waivers	7,627,522	3,813,761	3,817,883	(4,122)	-0.1%	7,627,522	-
Healthy Michigan Expense	2,741,762	1,370,881	1,170,881	200,000	14.6%	2,741,762	-
Autism Medicaid	4,957,208	2,478,604	2,478,604	(0)	0.0%	4,957,208	-
DCW Expense	2,242,870	1,121,435	1,140,673	(19,238)	-1.7%	2,242,870	-
Livingston CMH Total	34,736,434	17,368,217	17,416,993	(48,776)	-0.3%	34,736,434	-
Monroe CMH							
Medicaid (b) & 1115i	19,595,835	9,797,917	9,814,596	(16,679)	-0.2%	19,595,835	-
Medicaid Waivers	7,867,260	3,933,630	3,961,993	(28,363)	-0.7%	7,867,260	-
Healthy Michigan	2,622,026	1,311,013	1,311,013	(0)	0.0%	2,622,026	-
Autism Medicaid	2,570,743	1,285,372	1,285,372	0	0.0%	2,570,743	-
DCW Expense	2,802,471	1,401,236	1,422,603	(21,368)	-1.5%	2,802,471	-
Monroe CMH Total	35,458,335	17,729,167	17,795,577	(66,410)	-0.4%	35,458,335	-
Washtenaw CMH							
Medicaid (b) & 1115i	42,678,933	21,339,466	21,404,232	(64,765)	-0.3%	42,678,933	-
Medicaid Waivers	25,568,813	12,784,406	12,770,457	13,949	0.1%	25,568,813	-
Healthy Michigan Expense	5,875,998	2,937,999	2,877,999	60,000	2.0%	5,875,998	-
Autism Medicaid	4,657,841	2,328,920	2,328,920	(0)	0.0%	4,657,841	-
DCW Expense	7,297,312	3,648,656	3,700,003	(51,347)	-1.4%	7,297,312	-
Washtenaw CMH Total	86,078,896	43,039,448	43,081,611	(42,163)	-0.1%	86,078,896	-
Medicaid Expenditures Total	184,286,886	90,806,692	90,995,496	(188,803)	-0.2%	184,286,886	-
Medicaid Total	13,519,896	7,506,853	7,823,406	316,553		13,519,896	-

Community Mental Health Partnership of Southeast Michigan
Preliminary Statement of Revenues and Expenditures
For the Period Ending March 31, 2021

	Budget Revision 2	YTD Budget	YTD Actual	Actual O(U) Budget	Percent Variance	Projected Year-End	Projected O(U) Budget
SUD/Grants							
SUD/Grants REVENUE							
Healthy Michigan Plan SUC	8,582,533	4,291,267	4,341,221	49,955	1.2%	8,582,533	-
Medicaid SUD	3,147,681	1,573,841	1,595,530	21,690	1.4%	3,147,681	-
SUD DCW	408,958		135,391			408,958	
SUD Lapse to State	(39,963)					(39,963)	
PA2 - Tax Revenue (Est)	1,272,429	636,215	658,840	22,626	3.6%	1,272,429	-
PA2 - Use of Reserve (Est)	1,228,947	614,473	434,273	(180,201)	-29.3%	1,228,947	-
Federal/State Grants	6,253,983	3,126,992	3,448,013	321,021	10.3%	6,253,983	-
SUD/Grants REVENUE Total	20,854,569	10,242,787	10,613,268	370,481	3.6%	20,854,569	-
				0			
				0			
SUD/Grants EXPENDITURES							
All SUD Administration							
Salaries & Fringes	1,041,015	520,507	472,243	(48,264)	-9.3%	1,041,015	-
Contracts	230,354	115,177	116,237	1,061	0.9%	230,354	-
Board Expense	125	63		(63)		125	-
Other Expenses	89,851	44,925	41,466	(3,459)	-7.7%	89,851	-
Indirect Cost Recovery	0	-		0		0	-
All SUD Administration Total	1,361,344	680,672	629,947	(50,725)	-7.5%	1,361,344	-
Lenawee County SUD Servic	2,463,883	1,231,942	1,106,530	(125,412)	-10.2%	2,463,883	-
Livingston County SUD Serv	2,078,904	1,039,452	973,089	(66,363)	-6.4%	2,078,904	-
Monroe County SUD Service	2,570,571	1,285,286	1,425,037	139,751	10.9%	2,570,571	-
Washtenaw County SUD Ser	5,933,306	2,966,653	3,011,988	45,335	1.5%	5,933,306	-
Veteran Navigation	93,521	46,761	42,367	(4,394)	-9.4%	93,521	-
SOR NCE	1,289,473	644,737	377,994	(266,742)	-41.4%	1,289,473	-
SOR II	1,400,000	700,000	421,835	(278,165)	-39.7%	1,400,000	-
Gambling Prevention Grant	200,000	100,000	20,431	(79,569)	-79.6%	200,000	-
Tobacco	4,000	4,000	4,000	0		4,000	-
Women's Specialty Services	688,699	344,350	279,186	(65,163)	-18.9%	688,699	-
		-					
SUD/Grants Total Expenditu	18,083,702	9,043,851	8,292,403	751,448	8.3%	18,083,702	-
SUD/Grants Total	2,770,867	1,198,936	2,320,865	1,121,929		2,770,867	-
PIHP							
PIHP REVENUE							
Incentives (Est)	1,772,921	886,461	883,711	(2,750)	-0.3%	1,772,921	-
Local Match	1,259,140	629,570	629,570	-	0.0%	1,259,140	-
Other Income	124,349	62,174	61,987	(188)	-0.3%	124,349	-
PIHP Revenue Total	3,156,410	1,578,205	1,575,268	(2,937)	-0.2%	3,156,410	-
PIHP Expenses							
PIHP Admin							
Local Match	1,259,140	629,570	629,570	-	0.0%	1,259,140	-
Salaries & Fringes	1,001,015	500,508	474,758	(25,750)	-5.1%	1,001,015	-
Contracts	344,706	172,353	179,840	7,487	4.3%	344,706	-
Other Expenses	160,808	80,404	86,737	6,333	7.9%	160,808	-
ISF Transfer/Repay	7,500,000	3,750,000	3,750,000	(0)	0.0%	7,500,000	-
PIHP Admin Total	10,265,670	5,132,835	5,120,905	(11,930)	-0.2%	10,265,670	-
Board Expense	125	63	-	(63)		125	-
PIHP Expenses Total	10,265,795	5,132,897	5,120,905	(11,992)	-0.2%	10,265,795	-
PIHP Total	(7,109,385)	(3,554,630)	(3,545,638)	(9,055)		(7,109,385)	-
Organization Total	9,181,378	5,151,159	6,598,633	1,447,474		9,181,378	-
Totals							
Revenue	221,817,761	110,134,537	111,007,437	872,900		221,817,761	-
Expenses	212,636,383	104,983,440	104,408,804	574,637		212,636,383	-
Net	9,181,378	5,151,097	6,598,633	1,447,537		9,181,378	-

FY2021-23 CMHPSM Strategic Plan Metrics / Milestones

The CMHPSM will report to the CMHPSM Board on a semi-annual basis on the following strategic plan metrics and milestones.

Report #1:

3/31/2021

Strategic Plan Goal(s)	FY2021 Metric	FY2022 Metric	FY2023 Metric	Current Status: FY2021 Q1-Q2
#1. Improve working relationships and financial expertise within our system, which includes the CMHPSM, regional CMHSPs and external service providers. (Lead Finance) #5. Improve the financial stability and service capacity of our regional provider network. (Lead: Operations/Finance)	Conduct an in-depth analysis of the top 1-5 CPT service codes that account for the most service cost by Q4 of FY2021.	Conduct an in-depth analysis of the top 6-10 CPT service codes that account for the most service cost by Q4 of FY2022.	Conduct an in-depth analysis of the top 11-15 CPT service codes that account for the most service cost by Q4 of FY2023.	The CMHPSM and partner CMHSPs have created an encounter costing and coding workgroup in FY2021 Q2 and have begun the selection process around which CPT codes will be reviewed by Q4 of FY2021.
#2. Increase the contribution amount to the CMHPSM Internal Service Fund (ISF) each year until the ISF is fully funded. (Lead Finance)	Increase contribution amount level over FY2020.	Increase contribution amount level over FY2021.	Increase contribution amount level over FY2022.	The CMHPSM projects to closeout FY2020 with a significant surplus and an estimated ISF contribution of \$8.6 million. The CMHPSM had \$0 in the ISF in FY2019 and FY2020. The ISF will be utilized to reduce deficits attributed to FY2018 and FY2019 pending MDHHS approval.

Strategic Plan Goal(s)	FY2021 Metric	FY2022 Metric	FY2023 Metric	Current Status: FY2021 Q1-Q2
#3. Improve the comprehensiveness and validity of the health data within our regional electronic health record: CRCT. (Lead IM)	Maintain overall BHTEDS completion rates to state 95% standard during FY2021. Improve crisis encounter BHTEDs completion to 80% during FY2021.	Maintain overall BHTEDS completion rates to state 95% standard during FY2022. Improve crisis encounter BHTEDs completion to 85% during FY2022.	Maintain overall BHTEDS completion rates to state 95% standard during FY2023. Improve crisis encounter BHTEDs completion to 95% during FY2023.	<p>The CMHPSM and the partner CMHSPs have maintained overall BHTEDS completion rates above the FY2021 metric requirement of 95% and have met the FY2023 metric.</p> <p>FY2021 Mental Health BHTEDS: 97.83%</p> <p>FY2021 Crisis BHTEDS: 95.09%</p> <p>FY2021 SUD BHTEDS: 99.76%</p>
#4. Improve the user experience for all users of our regional electronic health record: CRCT. (Lead: IM)	Create and release a CRCT user survey by Q3 of FY2021 to establish a user satisfaction baseline.	Re-issue a CRCT user survey by Q3 of FY2022 and maintain or increase user satisfaction scores over FY2021.	Re-issue a CRCT user survey by Q3 of FY2023 and maintain or increase user satisfaction scores over FY2022.	The CMHPSM has researched past electronic health records surveys used within the region and is working with the regional electronic health record operations committee to develop and release a CRCT electronic health record user survey in Q3 of FY2021.
#6. Improve documentation for all critically important CMHPSM functions. (Lead: Operations)	Review and approve process and procedure documentation for 100% of critically important functions by Q3 of FY2021.	Assess 100% of critically important process and procedure documentation for needed updates by Q3 of FY2022.	Assess 100% of critically important process and procedure documentation for needed updates by Q3 of FY2023.	All CMHPSM staff persons have been working on process and procedure documents related to critical functions. The CMHPSM leadership team has reviewed ten (10) processes and is working with staff persons on documenting more processes.

Strategic Plan Goal(s)	FY2021 Metric	FY2022 Metric	FY2023 Metric	Current Status: FY2021 Q1-Q2
#7. Improve regional compliance reviews to support components of the quadruple aim. (Lead: Operations)	Revise all compliance monitoring tools by end of Q1 of FY2021.	Revise all compliance monitoring tools by end of Q1 of FY2022. Create and issue provider survey for entities that are audited by the CMHPSM by Q4 of FY2022	Revise all compliance monitoring tools by end of Q1 of FY2023. Assess provider survey results for entities that are audited by the CMHPSM for areas of improvement to revise FY24 monitoring tools and processes.	The FY2021 CMHPSM compliance tools have been revised to reflect all current requirements and regulations for FY2021. The pandemic has impacted our compliance review processes, we have transitioned to remote and desk audits where possible.
#8. Improve the capacity, effectiveness, and quality of SUD services. (Lead: SUD)	Assess regional SUD access across core providers.	Issue RFP for delegated core provider functions by Q2 FY2022. Develop timeline for procuring additional core provider functions during FY2022.	Continue the re-design and procurement of the SUD core provider system.	The CMHPSM has begun to assess the access system related to SUD treatment across the region. SUD treatment access is delegated to Lenawee CMHSP, Livingston CMHSP, Monroe CMHSP and to both core providers Dawn and Home of New Vision in Washtenaw county.
#9. Ensure that the Regional SUD Strategic Plan is effectively implemented, and associated outcomes are monitored and reported to the OPB and Regional Boards. (Lead SUD)	Develop charge for SUD Operations Committee by Q1FY2021. Assess 100% of strategic initiative programming delivered semi-annually during FY2021.	Assess 100% of strategic initiative programming delivered semi-annually during FY2022.	Assess 100% of strategic initiative programming delivered semi-annually during FY2023.	The CMHPSM SUD Director has developed a charge for an SUD operations committee, the implementation of such a committee is still under review. The SUD team continues to assess all SUD strategic initiative programming, most recently at the March 25, 2021 SUD Oversight Policy Board meeting.

Strategic Plan Goal(s)	FY2021 Metric	FY2022 Metric	FY2023 Metric	Current Status: FY2021 Q1-Q2
#10. Assess CMHPSM internal human resources and related activities in conjunction with current and future potential PIHP functions. (Lead: CEO)	Develop process for employee development requests during Q1 FY2021.	Measure employee retention after implementation of employee engagement committee recommendations.	Improve or maintain employee retention percentage during FY2023.	The CMHPSM has developed a budget for employee development. A training and resource guide is in the process of being developed to provide employees with a consolidated guide to access trainings and employee development resources.
#11. Implement engagement committee recommendations related to CMHPSM employee morale. (Lead: CEO)	<p>Continue CEO updates and update employee handbook.</p> <p>Conduct employee satisfaction survey in February 2021.</p> <p>Conduct salary study for salary tiers by March 2021.</p>	<p>Continue CEO updates and update employee handbook during FY2022.</p> <p>Conduct employee satisfaction survey in August 2022.</p> <p>Develop formal staff on boarding process and procedure during Q1 FY2022.</p>	Continue CEO updates and update employee handbook during FY2023.	<p>The CMHPSM CEO has continued CEO updates to the Regional Board and within the CMHPSM Microsoft Teams CEO Updates channel throughout FY2021. The CMHPSM employee handbook was updated and approved by the CMHPSM regional board in September 2020.</p> <p>The CMHPSM completed an employee satisfaction survey and presented the results to the CMHPSM Regional Board at the February 2021 meeting.</p> <p>The CMHPSM conducted a salary study and presented a 2% cost of living adjustment (COLA) to the CMHPSM board that was approved by the CMHPSM Regional Board at the February 2021 meeting. This was the first COLA adjustment to the CMHPSM salary ranges since approved in August 2014.</p>

Regional Board Notification – Contracts Within CEO Authority

Board Meeting Date: May 12, 2021

Action(s) Requested: Informational Review

Organization - Background	Funding Term	Funding Amount	Funding Source	Agreement Type
Flint Odyssey House, Inc. – An out-of-region long-term residential SUD provider that serves individuals in need of methadone maintenance service coordination. This provider has agreed to serve an individual in the CMHPSM region who has an urgent need for long term residential services while being maintained on methadone.	5/1/2021 – 5/12/2021	Rates per the Board approved FY21 SUD Fee-for-Service Contract Fee Schedule and Premium Pay allowances	Medicaid / HMP Fee-for-Service	Single Service Agreement
BioMed Behavioral Healthcare, PC – An out-of-region Medication Assisted Treatment (MAT) provider that has agreed to provide methadone dosing services to an individual in the CMHPSM region with urgent need for long term residential services while being maintained on methadone. This provider will be involved in care coordination with Flint Odyssey House, Inc.	5/1/2021 – 5/12/2021	Rates per the Board approved FY21 SUD Fee-for-Service Contract Fee Schedule and Premium Pay allowances	Medicaid / HMP Fee-for-Service	Single Service Agreement
Macomb Oakland Regional Center (MORC) – MORC conducts SIS assessor training and initial credentialing for CMHPSM SIS assessors, we recently filled our open CMHPSM SIS assessor position.	5/17/2021 – 9/30/2021	\$6,735	Administrative	Contract

Recommend: Informational Review, no action needed.



Regional Board Action Request – Contracts

Board Meeting Date: May 12, 2021

Action(s) Requested: Approval for the CEO to execute the contracts/amendments listed below.

Organization – Background	Term	Funding Level	Funding Source	Agreement Type
Flint Odyssey House, Inc. – An out-of-region long-term residential SUD provider that serves individuals in need of methadone maintenance service coordination. This provider has agreed to serve an individual in the CMHPSM region who has an urgent need for long term residential services while being maintained on methadone.	5/12/2021 – 9/30/2021	Rates per the Board approved FY21 SUD Fee-for-Service Contract Fee Schedule and Premium Pay allowances	Medicaid / HMP Fee-for-Service	Single Service Agreement
BioMed Behavioral Healthcare, PC – An out-of-region Medication Assisted Treatment (MAT) provider that has agreed to provide methadone dosing services to an individual in the CMHPSM region with urgent need for long term residential services while being maintained on methadone. This provider will be involved in care coordination with Flint Odyssey House, Inc.	5/12/2021 – 9/30/2021	Rates per the Board approved FY21 SUD Fee-for-Service Contract Fee Schedule and Premium Pay allowances	Medicaid / HMP Fee-for-Service	Single Service Agreement

CMHPSM Staff Recommendation: Approval

Community Mental Health Partnership of Southeast Michigan		Policy: <i>Financial Stability & Risk Reserve Management</i>
CMHPSM Board Governance		
Original Board Approval 8/9/2017	Date of Board Approval 5/13/2020	Date of Implementation 5/13/2020

I. PURPOSE

It is the policy of the Community Mental Health Partnership of Southeast Michigan (CMHPSM) to manage funding from the State of Michigan consistent with State Contracts, 2 CFR 200 Uniform Guidance, and prudent financial practices.

II. REVISION HISTORY

Revision Date	Modification	Implementation Date
8/9/2017	Original Board Approval	8/9/2017
5/13/2020	Reviewed	5/13/2020
5/12/2021	Reviewed and Updated	

III. SCOPE

The Financial Stability & Risk Reserve Management policy applies to all Community Mental Health Service Programs (CMHSPs) and Substance Use Disorder (SUD) Core Providers ~~who~~ affiliated with the CMHPSM.

IV. OBJECTIVES

The primary objectives of the Financial Stability & Risk Reserve Management policy are to protect the financial stability of the Region, ~~to ensure~~ **sufficient funding is available to deliver** medically necessary services ~~are provided~~ to Consumers who are served ~~by the CMHSPs affiliated with~~ **in** the CMHPSM and to ensure compliance with State contracts.

V. STANDARDS

The CMHSPs shall have a sufficient capacity of staff and/or contracted ~~service~~ providers to ensure that medically necessary services can be furnished to Consumers promptly and without compromise to quality of care at a reasonable cost. Utilizing a person-centered individual plan of service, the CMHSPs shall provide, or authorize the provision of, services in the amount, for the duration, and with a scope that is appropriate to reasonably achieve the **medical necessity associated with each authorized purpose of the** service for the Consumer.

As it pertains to this Policy, the CMHPSM Chief Financial Officer will be responsible ~~to~~ **for maintaining** effective communications with the Finance Officers of the CMHSPs and SUD Core Providers in order to obtain up-to-date financial information as noted below. The **CMHPSM** CFO will communicate this information and advise the CMHPSM Chief

Executive Officer on its impact on the financial status of the Regional Entity. The CMHPSM CEO will ensure that the appropriate level of financial status details are made available to the CMHPSM Regional Board of Directors in a timely manner.

In order to achieve the objectives of this Policy, the following standards and practices will be followed:

A. BUDGET PROCESS

- CMHSP budgets will be developed using revenue projections proposed by the CMHPSM and ~~approved-reviewed~~ by the Regional Finance Committee and Regional ~~Operating Operations~~ Committee.
- CMHPSM Regional Board approval of the CMHPSM budget is required prior to funding being made available to the CMHSPs.
- Budget ~~ed~~ expenditures at the CMHSPs will not exceed the revenue projections as denoted in the most current CMHPSM Regional Board approved budget.
- Budget amendments will be presented to the CMHPSM Regional Board as recommended by the Regional Finance Committee and the Regional Operations Committee.
- If significant changes such as new service provision modalities, administrative operations, labor agreements, etc. are anticipated in an upcoming budget year, detailed projected financial information ~~will should~~ be provided in advance to the CMHPSM prior to inclusion in an upcoming budget.
- The CMHPSM ~~shall must~~ develop an internal PIHP administrative budget sufficient to maintain compliance with the PIHP Medicaid Managed Specialty Supports and Services Contract with the Michigan Department of Health and Human Services.
- ~~The budgets of the CMHSPs shall include budgeted expenses related to the PIHP managed care functions that have been delegated to the CMHSP from the CMHPSM~~
- The total CMHPSM budget, including the PIHP administration budget, must be in balanced with the revenues ~~being that are~~ projected to be received from the Michigan Department of Health and Human Services (MDHHS). Any utilization of non-current year revenue sources such as carryforward, Medicaid savings or ISF funds will be specifically identified within the budget brought to the CMHPSM Board for review and approval.

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B. REPORTING

- ~~The CMHPSM and CMHSPs must produce accurate reports of their fiscal year-to-date (FYTD) actual expenditures versus their annual budget in a traditional Revenue and Expense format, as well as a FYTD Fund Source Report on a monthly basis, fund sources shall be delineated by: Medicaid, Healthy Michigan Plan, C-Waiver programs and Autism funding.~~ The CMHSPs will provide this and other requested financial data to the CMHPSM according to an established and agreed upon schedule as approved by ROC. The CMHPSM CFO is responsible for communicating the agreed upon schedule to the CMHSPs and collecting and summarizing regional finance reports.
- ~~CMHSP and~~ PIHP expenditure information will be reviewed with the CMHPSM Board at its monthly Board meeting in order to keep the Board apprised of the financial condition of the Region. The CMHPSM shall present CMHSP financial

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data on a regular basis and to inform the Board when CMHSP financial issues arise that could present a risk to the overall fiscal health of the Region.

C. SIGNIFICANT VARIANCES TO BUDGET

- It is important that resources be distributed in an equitable manner throughout the region to ensure services are available to all individuals that are eligible. If the monthly CMHSP FYTD financial reports indicates that significant underspending or overspending is occurring at a CMHSP, then that CMHSP will be required to present to the Board an explanation on the variance. A significant amount of underspending or overspending shall be defined as:
 - A 5% or greater variance from the most recent Board approved budget revenue for an individual CMHSP.
 - A CMHSP variance that is individually within 5% of their annual budgeted revenue, but is not in alignment with the regional budget variance trend by 5% or greater. (For example: a single CMHSP is overspending their budgeted revenue at 4%, but the regional variance is trending at an underspend of 3%, thus the CMHSP is 7% off of the regional trend.)
 - A cumulative budget variance of more than 3% when combining the regional CMHSPs and PIHP service and administrative expense budgets. (For example: all four CMHSPs are overspending their budget by 3% would necessitate the utilization of ISF during the fiscal year.
- PIHP staff will present the CMHSP explanation to the CMHPSM Board related to significant underspending or overspending after analysis at the Regional Finance Committee meeting. Similarly, the CMHPSM will present an explanation to the CMHPSM Board when significant underspending or overspending is occurring within the PIHP internal administrative budget.
- A corrective action may be required by the CMHPSM Board when significant underspending or overspending occurs within the Region.
- If a corrective action plan is required and the required goals are not met in a timely basis, then the PIHP shall may conduct an operational review of the CMHSP.
 - An operational review may include examinations of the contracts, costs, level of Consumer service provision and other items as deemed necessary to understand the overspending or underspending situation.
 - An initial consultative review lead by the CMHPSM will be conducted by individuals from the CMHPSM, as well as all CMHSPs, who are recognized as subject matter experts in the areas that will be reviewed.
 - If the initial consultative review assessment indicates that the issues are structural and not able to be resolved within the current year, then external consultants may be brought in to provide assistance with the development of a corrective action plan that will resolve the budget issue.
 - Recommendations to address a shortfall at one of the CMHSPs may include the redistribution of available funds within the region, as long as the use of such funding does not adversely impact the delivery of services within the Region.
 - Recommendations may also include the use of available Internal Service Fund (ISF) in the present year, if there are significant revenue changes by the State, new high-cost Consumers enrolled by a CMHSP, increased

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utilization or changes to the State's requirement on how services are to be provided to Consumers.

- If the consultative review assessments determine that a significant budget variance is derived from a local CMHSP's financial management factors, that CMHSP would be required to submit a budget for the following fiscal year that would not require the ongoing use of ISF revenue.

○ Corrective Action Plans may include the consideration of alternative sourcing options for service provision or other financial actions which would not disrupt the provision of services.

- The Regional Operations Committee may recommend to the CMHPSM Board that the PIHP conduct a targeted financial/operational review of a CMHSP to the CMHPSM Board when an emerging financial concern projects to negatively impact the region's financial stability. The CMHPSM Board may approve such a targeted financial and operational review without first requiring a corrective action plan.

○ Corrective Action Plans may include the consideration of alternative sourcing options for service provision or other financial actions which would not disrupt the provision of services.

D. UTILIZATION OF INTERNAL SERVICE FUND BALANCE

— The An ISF may shall be primarily established utilized for the purpose of storing securing funds funds necessitated necessary to meet expected shared risk corridor financing. The ISF shall primarily be utilized to hold funds necessitated by the CMHPSM risk management strategy relative to the shared risk corridor with MDHHS.

- Generally, use of the ISF should only be requested if there are significant unexpected changes during a fiscal year which can't be managed regionally with current year revenue. Potential current year ISF utilization will be reviewed initially at the Regional Finance Committee. Examples of significant unexpected changes include regional revenue not meeting projections, service delivery that exceeds projected medical necessity, expansion of service benefits or beneficiaries, and other appropriate variances as reviewed by the Regional Operations Committee. revenue changes by the State, new high cost Consumers enrolled by a CMHSP, increased utilization or changes to the State's requirement on how services are to be provided to Consumers.

- The ISF should be the option of last resort to address present fiscal year budget overruns. The Regional Operations Committee will review all utilization of the ISF on a regional basis.

- The utilization of ISF resources will be brought to the CMHPSM Board for approval during the initial or amended budget processes.

● Generally, use of the ISF should only be requested if there are significant revenue changes by the State, new high cost Consumers enrolled by a CMHSP, increased utilization or changes to the State's requirement on how services are to be provided to Consumers.

VI. DEFINITIONS

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Balanced Budget: A budget in which expenses are equal or less than the estimated or projected revenue.

Community Mental Health Partnership of Southeast Michigan (CMHPSM): The Regional Entity that ~~presently~~ serves as the Prepaid Inpatient Health Plan for Lenawee, Livingston, Monroe and Washtenaw counties for mental health, intellectual/developmental disabilities, and substance use disorder services.

Community Mental Health Service Program (CMHSP): Separate legal entities that the CMHPSM contracts with for the provision of Medicaid services to residents of the Counties served by the CMHPSM.

Generally Accepted Accounting Principles: Accounting principles that are the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.

Internal Service Fund (ISF): The Internal Service Fund (ISF) is one method for securing funds as part of the overall strategy for covering risk exposure under the MDHHS/PIHP Medicaid Managed Specialty Supports and Services Contract. The ISF should be kept at a minimum to assure that the overall level of PIHP funds are directed toward consumer services.

2 CFR 200 - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

Field Code Changed

Regional Operating Committee (ROC): Committee comprised of the Executive Directors of the CMHSPs and the ~~Managing Director~~CEO of the CMHPSM.

VII. REFERENCES

1. Agreement Between Michigan Department of ~~Community Health and Human Services~~ And PIHP: CMH PARTNERSHIP OF SOUTHEAST MI for The Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) ~~and 1115~~ Waiver Program(s), ~~and the Healthy Michigan Program, and Substance Use Disorder Community Grant Programs~~
2. 2 CFR 200 - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
3. Agreements Between CMHPSM And the Lenawee, Livingston, Monroe, and Washtenaw County CMHSPs For the Provision of Medicaid Services to Residents of Their Respective Counties

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**Lenawee-Livingston-Monroe-Washtenaw
Oversight Policy Board Minutes
April 22, 2021
Meeting held electronically via Zoom software**

Members Present: Mark Cochran (Monroe County, MI), Kim Comerzan (Monroe County, MI),
(physical location) Amy Fullerton (Lenawee County, MI), Ricky Jefferson (Ypsilanti
Township, MI), John Lapham (Lenawee County, MI), Frank Nagle
(Lenawee County, MI), Dave Oblak (Ann Arbor, MI), Dave O'Dell (Monroe
County, MI), Carol Reader (Livingston County, MI), Ralph Tillotson
(Lenawee County, MI), Monique Uzelac (Ann Arbor, MI), Tom Waldecker
(Ann Arbor, MI)

Members Absent: Susan Longworth, Molly Welch Marahar, Dianne McCormick

Guests:

Staff Present: Stephannie Weary, James Colaianne, Nicole Adelman, Matt Berg, CJ
Witherow, Alyssa Tumolo, Rebecca DuBois, Jane Goerge, Dana Darrow,
Jackie Bradley (Lenawee)

Board Chair M. Cochran called the meeting to order at 9:32 a.m.

1. Introductions
2. Approval of the Agenda
Motion by R. Tillotson, supported by D. O'Dell, to approve the agenda
Motion carried
Voice vote, no nays
3. Approval of the March 25, 2021 Oversight Policy Board minutes
Motion by T. Waldecker, supported by M. Uzelac, to approve the March 25, 2021 OPB minutes
Motion carried
Voice vote, no nays
4. Audience Participation
 - None
5. Old Business
 - a. Finance Report
 - M. Berg presented.
 - Currently, expenditures are higher than revenue, which will pose a problem in the future because of the limited amount of available PA2.
 - b. FY21 PA2/Block Grant/SOR Update
 - The region will receive additional supplemental COVID- related Block Grant. Of the \$916k that will be received, the amount allocated to each category is known (Prevention, Treatment, Admin., Women's Specialty), but not what the programs are within those categories that will be allowed.
 - N. Adelman will provide an update as soon as the state provides more information.
 - c. Bylaws Update
 - The Regional Board approved the bylaws as recommended by the OPB.
 - d. Open Meetings Act
 - Because Washtenaw County has an emergency order that goes through the end of the year, OPB will be able to meet remotely until the end of the year. The order does not prohibit in-person meetings, assuming proper social distancing.

- Some OPB members expressed the preference to continue to meet remotely for as long as possible. OPB will evaluate the meeting venue (online vs. in-person) on a month-by-month basis.
6. New Business
 - a. State Opioid Response (SOR) Report
 - A. Tumolo and R. DuBois provided an overview of SOR programming and the gambling prevention grant.
 - The number of calls to the helpline from our region quarterly were requested.
 7. Report from Regional Board
 - J. Colaianne and R. Tillotson provided an update.
 8. SUD Director Updates
 - a. Veterans Navigator program update
 - The state is taking a closer look at veterans who enter our system and how they're being referred into services across the state.
 - b. ASAM Continuum Tool update
 - As of 10/1/21 all providers across the state will be required to use the tool.
 - c. Direct Care Worker trainings
 - The region is in the planning stages for providing self-care and secondary trauma for direct care workers. If anyone has any resources, please let Nicole know.
 - d. Website updates
 - The PIHP's web site is currently undergoing updates to make it more accessible and mobile-friendly.
 - e. Back to office plans
 - The PIHP is following the state's guidelines. June 7 is the current return date for staff at partial capacity.
 9. Adjournment

Motion by R. Tillotson, supported by D. O'Dell, to adjourn the meeting
Motion carried
Voice vote, no nays

 - Meeting adjourned at 10:30 a.m.

Next meeting: May 27, 2021

Location: Zoom



CEO Report

Community Mental Health Partnership of Southeast Michigan

Submitted to the CMHPSM Board of Directors
May 5, 2021 for the May 12, 2021 Meeting

CMHPSM Update

- Our most recent CMHPSM all staff meeting was held on April 12. The CMHPSM leadership team is continuing to meet on a weekly basis while we are working remotely.
- CMHPSM is continuing the redesign of the CMHPSM website and will begin an effort on standardizing formatting and design across our web presence.

COVID-19 Update

- The CMHPSM office continues to be closed to the public and has had limited essential staff visiting the office to take care of work that can only be done while on site. Our leadership team continues to review guidance from the State, we have returned to the limited capacity orange phase of our re-opening plan. The most recent version of the re-opening plan is continually shared with staff as it is updated.
- Planning around a safe return to the office has begun to determine the best plan for when individuals can return to the office. We will continue to monitor the functionality and productivity levels of staff working from home during the pandemic.

Re-Opening Plan Phases as of May 3, 2021

Phase:	Essential Only Capacity	Limited Capacity	Reduced Capacity	Full Capacity
Office:	Office Closed	Limited Office Attendance and Office Closed to Public	50% Capacity – 75% Capacity and Office Closed to Public	100% Capacity – Office Open to Public
Projected Date Range for Phase:	11/18/2020 – 1/17/2021 (Projected)	1/18/2021 (Projected) – 7/5/2021 (Projected)	7/6/2021 (Projected) – 9/30/2021 (Projected)	10/1/2021 (Projected)
Current Phase:		X		

CMHPSM Staffing Update

- The CMHPSM now currently has no open positions.
- Anyone interested in obtaining additional information about open CMHPSM positions should visit our website: <https://www.cmhpsm.org/interested-in-employment>

Regional Update

- The CMHPSM continues to update our general COVID-19 resources and information web presence: <https://www.cmhpsm.org/covid19>
- We have also established a webpage for provider information related to service delivery changes during this pandemic: <https://www.cmhpsm.org/covid19provider>
- Individuals receiving Behavioral Health and/or Substance Use Disorder services can access targeted information at the following webpage: <https://www.cmhpsm.org/covid19consumers>
- The CMHPSM established a webpage and email address for individuals, organizations, or suppliers to contact us in relation to personal protection equipment donations or supply availability. CMHPSM regional needs are published here <https://www.cmhpsm.org/donations> and those interested can contact us through email at: donation@cmhpsm.org or at our direct number: 734-344-6079.
- The Regional Operations Committee continues to meet on at least a weekly basis. The remote meetings are allowing our region to share best practices while obtaining a regional picture of our COVID-19 pandemic response.

Statewide Update

- The CMHPSM submitted our regional provider network stabilization status update on March 31, 2021. We will continue to work with the regional CMHSPs to maintain provider network stability. Reports will continue to be submitted to MDHHS on the last day of each month through at minimum our fiscal year 2021 (September 30, 2021). Our region continues to meet regionally and advocate with all stakeholders on the necessity of provider stability to the health and safety of our individuals.
- The PIHP has been represented at weekly meetings with BHDDA related to COVID-19 pandemic responses that began in mid-March 2020. These meetings have been helpful in ascertaining the MDHHS response to COVID-19 and to provide our region's input to BHDDA. The meetings have at times slowed in

frequency but overall communication with the BHDDA has remained consistent and effective.

- We are scheduled to meet with MDHHS on this topic in a statewide format and are continuing to move forward with potential technological fixes where possible with our electronic health record vendor.
- PIHP CEO meetings are continuing on a monthly basis through a remote meeting.
- The most recent PIHP CEO / MDHHS operations meeting occurred on April 1, 2021 with BHDDA staff, our next meeting is scheduled for May 6, 2021. Included in the meetings are updates on the various emergency waivers and MDHHS COVID funding that impact our service delivery systems, funding, and requirements. I provide a summary of those meetings to our regional directors at our Regional Operations Committee meetings each month.

Future Business

- The regional finance group is planning on working with our regional network management committee to determine both the necessity and feasibility of additional targeted provider stabilization funding. The CMHPSM is expecting to bring a proposal to the CMHPSM Board in June.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Ja Colaianne', is positioned above the printed name.

James Colaianne, MPA