

Community Mental Health Partnership of Southeast Michigan		<i>Policy:</i> <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

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, ensure medically necessary services are provided to Consumers who are served by the CMHSPs affiliated with the CMHPSM and to ensure compliance with State contracts.

V. STANDARDS

The CMHSPs shall have a sufficient capacity of staff and/or contracted 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 purpose of the service for the Consumer.

As it pertains to this Policy, the CMHPSM Chief Financial Officer will be responsible to maintain 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 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 Regional Board 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 by the Regional Finance Committee and Regional Operating Committee.
- Regional Board approval of the CMHPSM budget is required prior to funding being made available to the CMHSPs.
- Budget 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 be provided to the CMHPSM prior to inclusion in an upcoming budget.
- The CMHPSM 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 total CMHPSM budget, including the PIHP administration budget, must be balanced with the revenues being projected to be received from the Michigan Department of Health and Human Services (MDHHS).

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. The CMHSPs will provide this and other requested financial data to the CMHPSM according to an established and agreed upon schedule.
- 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, and to inform the Board when financial issues arise that could present a risk to the overall fiscal health of the Region.

C. SIGNIFICANT VARIANCES TO BUDGET

- If the monthly FYTD financial report 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. 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 goals are not met, then the PIHP 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 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.

D. USE OF INTERNAL SERVICE FUND BALANCE

- The ISF should be the option of last resort to address present fiscal year budget overruns.
- 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

Community Mental Health Partnership of Southeast Michigan (CMHPSM): The Regional Entity that presently serves as the PIHP 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.

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

VII. REFERENCES

1. Agreement Between Michigan Department of Community Health And PIHP: CMH PARTNERSHIP OF SOUTHEAST MI for The Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) Waiver Program(s), 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. Agreement Between CMHPSM And the Lenawee, Livingston, Monroe, and Washtenaw County CMHSPs For the Provision of Medicaid Services to Residents of Their Respective Counties