

**NORTHERN MICHIGAN REGIONAL ENTITY
BOARD OF DIRECTORS MEETING
10:00AM – AUGUST 27, 2025
GAYLORD BOARDROOM**

ATTENDEES:	Bob Adrian, Dave Freedman, Ed Ginop, Gary Klacking, Dana Labar, Eric Lawson, Mary Marois, Michael Newman, Jay O’Farrell, Ruth Pilon, Don Smeltzer, Don Tanner, Chuck Varner
ABSENT:	Karen Goodman
NMRE/CMHSP STAFF:	Bea Arsenov, Brian Babbitt, Carol Balousek, Brady Barnhill, Amy Christie, Curt Cummins, Lisa Hartley, Chip Johnston, Eric Kurtz, Trish Otremba, Brandon Rhue, Nena Sork, Denise Switzer, Chris VanWagoner, Deanna Yockey
PUBLIC:	Anonymous (3), Erin Barbus, Ann Friend, Kevin Hartley, Bobbi Hudson, Nancy Rhue, Kim Rappleyea, Amanda Ritchie, Lori Standel, Lynda Zeller

CALL TO ORDER

Let the record show that Board Chairman, Gary Klacking, called the meeting to order at 10:00AM.

ROLL CALL

Let the record show that Karen Goodman was excused from the meeting on this date. All other NMRE Board Members were in attendance.

PLEDGE OF ALLEGIANCE

Let the record show that the Pledge of Allegiance was recited as a group.

ACKNOWLEDGEMENT OF CONFLICT OF INTEREST

Let the record show that no conflicts of interest to any of the meeting Agenda items were declared.

APPROVAL OF AGENDA

Let the record show that no additions to the meeting agenda were requested.

MOTION BY JAY O’FARRELL TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING AGENDA FOR AUGUST 27, 2025; SUPPORT BY DON TANNER. MOTION CARRIED.

APPROVAL OF PAST MINUTES

Let the record show that the July minutes of the NMRE Governing Board were included in the materials for the meeting on this date.

MOTION BY JAY O’FARRELL TO APPROVE THE MINUTES OF THE JULY 23, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY ED GINOP. MOTION CARRIED.

CORRESPONDENCE

- 1) An Action Alert from the Community Mental Health Association of Michigan (CMHAM) urging the public to contact legislators to express concerns about MDHHS' PIHP procurement proposal.
- 2) A Press Release from the Michigan Department of Health and Human Services (MDHHS) dated August 5, 2025, announcing the request for proposals to procure the state's PIHPs.
- 3) Email correspondence from CMHAM Chief Executive Officer, Bob Sheehan, dated August 7, 2025, to CMHSP and PIHP CEOs and Provider Alliance Members stating that CMHAM is being approached by private health plans and health plan consultants regarding potential partnerships.
- 4) Email correspondence from CMHAM CEO, Bob Sheehan, dated August 8, 2025, to CMHSP and PIHP CEOs underscoring the foundations and pillars of CMHA's advocacy strategy.
- 5) A document from CMHAM titled, "Concerns Regarding MDHHS PIHP Contract Procurement Proposal."
- 6) A document from CMHAM titled, "Core Concepts for Use in Guiding the Development of Alternatives to Privatization-Focused PIHP Contract Procurement Proposal," dated August 2025.
- 7) Email correspondence from CMHAM CEO, Bob Sheehan, dated August 20, 2025, to CMHSP and PIHP CEOs and Provider Alliance Members announcing two sessions being held by MDHHS to explain to the public its plan to competitively procure PIHPs.
- 8) MDHHS' Behavioral Health Home Annual Report for Fiscal Year 2024.
- 9) The statewide Performance Indicator Report for Quarter 2 of Fiscal Year 2025.
- 10) The draft minutes of the August 13, 2025, regional Finance Committee meeting.

Mr. Kurtz drew attention to the correspondence from CMHAM related to the PIHP bid out. The two public sessions announced by MDHHS have been canceled.

Ms. Marois asked what private provider CMHAM was referring to in the correspondence from CMHAM regarding potential partnerships. Mr. Kurtz responded that it is likely Caralon Healthcare Services.

The Behavioral Health Home Annual Report and Statewide Performance Indicator Report were shared for informational purposes.

ANNOUNCEMENTS

Mr. Klacking announced Karla Sherman's resignation from the NMRE Board. Ms. Sherman was recognized as a founding Member of the NMRE Board, having joined in April 2013, prior to the formation of the regional entity, and an ardent supporter of individuals served. Ron Iseler was appointed by the North Country CMHA Board to fill the position.

PUBLIC COMMENT

Let the record show that the members of the public attending the meeting were recognized.

REPORTS

Executive Committee Report

The draft minutes from the August 13, 2025 meeting of the NMRE Board Executive Committee were included in the materials for the meeting on this date. The topics discussed will be covered under "New Business."

CEO Report

The NMRE CEO Monthly Report for August 2025 was included in the materials for the meeting on this date. Mr. Kurtz acknowledged his participation in Northeast Michigan CMHA's Commission on Accreditation of Rehabilitation Facilities (CARF) Survey.

June 2025 Financial Report

- Net Position showed a net surplus for Medicaid and HMP of \$2,540,625. Carry forward was reported as \$736,656. The total Medicaid and HMP current year surplus was reported as \$3,277,281. FY24 HSW revenue was reported as \$1,289,241. The total Medicaid and HMP adjusted current year surplus was reported as \$1,988,040. The total Medicaid and HMP Internal Service Fund was reported as \$20,576,156. The total Medicaid and HMP net surplus was reported as \$23,853,437.
- Traditional Medicaid showed \$164,525,484 in revenue, and \$159,902,729 in expenses, resulting in a net surplus of \$4,622,755. Medicaid ISF was reported as \$13,514,675 based on the current FSR. Medicaid Savings was reported as \$0.
- Healthy Michigan Plan showed \$21,732,996 in revenue, and \$23,815,126 in expenses, resulting in a net deficit of \$2,082,130. HMP ISF was reported as \$7,068,394 based on the current FSR. HMP savings was reported as \$736,656.
- Health Home showed \$2,371,360 in revenue, and \$1,973,305 in expenses, resulting in a net surplus of \$398,055.
- SUD showed all funding source revenue of \$21,616,899 and \$16,921,089 in expenses, resulting in a net surplus of \$4,695,811. Total PA2 funds were reported as \$4,349,717.

PA2/Liquor Tax was summarized as follows:

Projected FY25 Activity			
Beginning Balance	Projected Revenue	Approved Projects	Projected Ending Balance
\$4,765,231	\$1,847,106	\$2,150,940	\$4,461,397

Actual FY25 Activity			
Beginning Balance	Current Receipts	Current Expenditures	Current Ending Balance
\$4,765,231	\$835,755	\$1,251,270	\$4,349,717

The state's process of recouping and repaying Medicaid at the higher rate announced in Amendment No. 3 to the MDHHS-PIHP Contract has resulted in approximately \$5M in retroactive pay for October through June. July through September will be paid at the higher rate. Habilitation Supports Waiver (HSW) revenue is currently \$7M higher than it was at the same time in FY24.

MOTION BY ERIC LAWSON TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR JUNE 2025; SUPPORT BY DON SMELTZER. MOTION CARRIED.

Operations Committee Report

The draft minutes from August 19, 2025, were included in the materials for the meeting on this date. The five CMHSP CEOs and the PIHP CEO from NorthCare Network (Region 1 PIHP) and legal counsel joined the meeting to discuss strategies related to the PIHP bid out.

NMRE SUD Oversight Committee Report

Let the record show that the next meeting of the NMRE Substance Use Disorder (SUD) Oversight Committee is scheduled for September 8, 2025, at 10:00AM.

NEW BUSINESS

CMHAM Special Assessment

On August 11th, communication was received from the Community Mental Health Association of Michigan requesting a special assessment of its CMHSP and PIHP members. The purpose of the voluntary special assessment was given as a means "to provide a significantly increased level of funding for CMHA's advocacy work in the face of the current threat posed by the recently issued RFP for the state's PIHP contracts."

At this time, neither the NMRE nor its five member CMHSPs intend to pay the special assessment. A request to increase the NMRE's legal expense budget will follow under the following agenda item.

Legal Budget

The NMRE will continue exploring legal action regarding the procurement process. The NMRE has a current agreement/contract with attorney Chris Cooke (Secrest Wardle) and \$2,000 left in his \$10,000 retainer. Mr. Kurtz requested permission from the Executive Committee to increase the funding for legal services so that the region can pursue all legal channels against the RFP/PIHP procurement process, which was granted. Mr. Kurtz made that same request of the full Board.

MOTION BY DON TANNER TO AUTHORIZE AN INCREASE TO THE NORTHERN MICHIGAN REGIONAL ENTITY'S FISCAL YEAR 2025 BUDGET LINE ITEM FOR LEGAL EXPENSES BY FIFTY THOUSAND DOLLARS (\$50,000.00), IF NEEDED; SUPPORT BY RUTH PILON. ROLL CALL VOTE.

"Yea" Votes: R. Adrian, D. Freedman, E. Ginop, G. Klacking, D. Labar, E. Lawson, M. Marois, M. Newman, J. O'Farrell, R. Pilon, D. Smeltzer, D. Tanner, C. Varner

"Nay" Votes: Nil

MOTION CARRIED.

UCA

A draft Urban Cooperation Act Agreement (UCA) was included in the materials for the meeting on this date. Because the RFP to procure the state's PIHPs does not allow NorthCare Network or Northern Michigan Regional Entity to bid, the two PIHPs representing the 36 counties of northern Michigan would like to enter into a UCA to form a legal entity to be known as Bridge Health. The UCA will be filed in Marquette and Otsego Counties and a federal ID# will be acquired.

MOTION BY DON TANNER TO GRANT THE AUTHORITY TO THE NORTHERN MICHIGAN REGIONAL ENTITY CHIEF EXECUTIVE OFFICER TO FINALIZE AND FILE THE INTERLOCAL AGREEMENT WITH NORTHCARE NETWORK; SUPPORT BY JAY O'FARRELL. MOTION CARRIED.

Northern Lakes Lookback

The "Northern Lakes Community Mental Health (NLCMH) Assessment for the Northern Michigan Regional Entity (NMRE) Steps and Notes FY20 – FY22" report from Rehmann was included in the materials for the meeting on this date. Mr. Kurtz has discussed the findings of the Rehmann lookback and the FY23 and FY24 cost settlement with Northern Lakes' Board Chair Greg McMorrow, Interim Chief Executive Officer Curt Cummins, and Chief Financial Officer, Kevin Hartley.

Funds due to Northern Lakes for the cost settlement of fiscal years 2023 and 2024 are offset by what is owed to NMRE based on the Cost Misallocation Lookback. The net difference between the cost misallocation (\$11,164,302 owed to NMRE) and cost settlement (\$10,065,474 owed to Northern Lakes) is \$1,098,828 owed to NMRE from Northern Lakes. No funds for FY23 and FY24 are due to Northern Lakes from the NMRE. The NMRE will work with the audit division at the state regarding next steps.

Mr. Freedman reported that during the Northern Lakes CMHA Board meeting on August 21st, the Board disagreed with Rehmann's process of applying a weighted average percent of the questioned costs for fiscal years 2020, 2021, and 2022 (3.76%) to the reported expenditures in fiscal years 2018 and 2019. As a result, a motion by Northern Lakes CMHA was passed requesting that the 2018 and 2019 results be stricken pending review of the Rehmann assessment by Roslund, Prestage, and Co. The NLCMHA Board passed a second motion to deduct the amount owed to the NMRE for fiscal years 2018 and 2019 (\$4,139,139) from the findings and request \$3,040,311 from the NMRE.

Mr. Kurtz responded that he was contacted by the NMRE Board Chair and a meeting with Mr. Kurtz, Mr. McMorrow, Dr. Cummins, Mr. Hartley, and Ms. Yockey is being scheduled.

OLD BUSINESS

Northern Lakes CMHA Update

Mr. Freedman reported that the CEO Search Committee met in an open meeting on August 14th to review candidates' submission packets, letters, and evaluations. Two candidates were selected to move forward in the interview process. The Board will make their final decision during the Board meeting on September 18th.

Northern Lakes CMHA is working on passing a budget for FY26 that is significantly reduced. Staff reductions have been made, including those to Executive Team members.

FY25 PIHP Contract Injunction and Complaint Update

The complaint filed by Taft, Stettinius & Hollister, LLP, on behalf of Northcare Network Mental Health Care Entity, Northern Michigan Regional Entity, Community Mental Health Partnership of Southeast Michigan, and Region 10 PIHP (Plaintiffs) against the State of Michigan, State of Michigan Department of Health and Human Services, a Michigan State Agency, and its Director, Elizabeth Hertel, in her official capacity (Defendants) is currently in a waiting period pending the appointed judge's decision.

Mr. Kurtz received communication regarding a change to FY26 MDHHS-PIHP contract. Any PIHP holding an internal service fund greater than 7.5% will be asked to immediately return the excess funds to MDHHS. A legal opinion has been requested.

COMMENTS

Board

Ms. Marois recognized that significant contribution that Ms. Sherman made to the NMRE and requested that a formal declaration of appreciation be provided to her, which Mr. Kurtz agreed to do.

Mr. Freedman asked whether Bridge Health can get up and running quickly. Mr. Kurtz acknowledged the work being done by NorthCare and NMRE staff to get the new entity formed and respond to the RFP.

Mr. Freedman shared that Northern Lakes CMHA received a 3-year CARF renewal.

Staff/CMHSP CEOs

NMRE staff agreed to post the RFP to procure the state's PIHP to NMRE website under the "Resources" tab.

Mr. Babbitt reported that CMHSPs are being contacted by Health Plans to partner in response to the PIHP bid out.

NEXT MEETING DATE

The next meeting of the NMRE Board of Directors was scheduled for 10:00AM on September 24, 2025.

ADJOURN

Let the record show that Mr. Klacking adjourned the meeting at 10:58AM.

MOTION BY MARY MAROIS TO ADJOURN THE AUGUST 27, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY ED GINOP. MOTION CARRIED.