Northern Michigan Regional Entity

Board Meeting

May 28, 2025

1999 Walden Drive, Gaylord

10:00AM

Agenda

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1.	Call to Order	
2.	Roll Call	
3.	Pledge of Allegiance	
4.	Acknowledgement of Conflict of Interest	
5.	Approval of Agenda	
6.	Approval of Past Minutes – April 23, 2025	Pages 2 – 8
7.	Correspondence	Pages 9 – 27
8.	Announcements	
9.	Public Comments	
10.	Reports	
	a. Executive Committee Report – Has Not Met	
	b. CEO's Report – May 2025	Page 28
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	d. Operations Committee Report – May 13, 2025	Pages 51 – 55
	i. CMHSP Cost Containment Plans	Pages 56 – 72
	e. NMRE SUD Oversight Board Report – May 5, 2025	Pages 73 – 77
11.	New Business	
	a. Liquor Tax Requests	Pages 78 – 79
	i. Jail Counseling – Charlevoix County	Page 80
	ii. CRA Community Center and Peer Services – Emmet County	Page 81
	b. NMRE Compliance Plan	Pages 82 – 96
12.	Old Business	
	a. Northern Lakes Update	
	b. FY25 PIHP Contract Injunction and Complaint - Update	
13.	Presentation	
	FY24 Financial Audit – Christina Schaub, CPA	Pages 97 – 108
14.	Comments	
	a. Board	
	b. Staff/CMHSP CEOs	
	c. Public	
15.	Next Meeting Date – June 25, 2025 at 10:00AM	
16.	Adjourn	

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Conference ID: 497 719 399#

NORTHERN MICHIGAN REGIONAL ENTITY
BOARD OF DIRECTORS MEETING
10:00AM – APRIL 23, 2025
GAYLORD BOARDROOM

ATTENDEES:	**Bob Adrian, Tom Bratton, Ed Ginop, Gary Klacking, Eric Lawson, Mary Marois, Michael Newman, Gary Nowak, Jay O'Farrell, Ruth Pilon, Karla Sherman, Don Smeltzer, Don Tanner, Chuck Varner**
NMRE/CMHSP STAFF:	**Bea Arsenov, Brian Babbitt, Jodie Balhorn, Carol Balousek, Ann Friend, Kevin Hartley, Lisa Hartley, Chip Johnston, Eric Kurtz, Brie Molaison, Diane Pelts, Brandon Rhue, Nena Sork, Deanna Yockey**
PUBLIC:	**Dean Baldwin, Erin Barbus, Samantha Borowiak, Dave Freedman, Gennie Groover, Sarah Hegg, Kayla Thomas, 2 Anonymous**

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 all NMRE Board Members were in attendance in Gaylord.

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 DON SMELTZER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING AGENDA FOR APRIL 23, 2025; SUPPORT BY JAY O'FARRELL. MOTION CARRIED.

APPROVAL OF PAST MINUTES
Let the record show that the March minutes of the NMRE Governing Board were included in the materials for the meeting on this date.

MOTION BY DON TANNER TO APPROVE THE MINUTES OF THE MARCH 26, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY MARY MAROIS. MOTION CARRIED.

CORRESPONDENCE
1) The Community Mental Health Association of Michigan (CMHAM) Summary of Discussion dated March 26 – 27, 2025.

2) A letter from Terri Smith at MDHHS to NMRE CFO Deanna Yockey, dated April 1, 2025 announcing the termination of the HHS COVID-19 grant.
3) Email correspondence from CMAHM CEO, Bob Sheehan, dated April 15, 2025 clarifying the credentials needed for clinicians to conduct preadmission screenings and crisis interventions.
4) Email correspondence from the Michigan Certified Community Behavioral Health Clinic (CCBHC) Team dated March 20, 2025 requesting participation in an MDHHS CCBHC Demonstration Survey.
5) PowerPoint slides from MDHHS outlining CCBHC Rural Certification Flexibilities effective October 1, 2025.
6) A list of Michigan Legislative Committees and Members.
7) The NMRE regional Performance Indicators Report for Quarter 1 FY25.
8) The NMRE's FY24 Final Performance Bonus Incentive Pool award notification.
9) The statewide PIHP Performance Indicator Report for Quarter 1 FY25.
10) A PowerPoint presentation from MDHHS Senior Deputy Director, Meghan Groen, dated March 20, 2025 outlining Michigan's Medicaid Program.
11) A document from CMHAM dated April 2022 (Revised May 2022) titled, "Reducing Administrative and Paperwork Burden on Michigan's Public Mental Health System."
12) An Action Alert from CMHAM urging the public to tell MDHHS to Maintain Public Management of Michigan's Mental Health Services.
13) An infographic from CMHAM expressing concern with the Department's plan to move to a competitive procurement process for the state's Pre-Paid Inpatient Health Plan (PIHP) contracts.
14) A document from CMHAM dated March 2025 titled, "CMHA Advocacy Strategy MDHHS Survey Related to System Improvement and Potential PIHP Procurement."
15) Email correspondence from CMAHM CEO, Bob Sheehan, dated April 11, 2025 stating the "Weaknesses and Harm of Privately Managed Medicaid Behavioral Health Systems".
16) A Sample Board Resolution opposing a competitive procurement process for Prepaid Inpatient Health Plans (PIHPs).
17) The draft minutes of the April 9, 2025 regional Finance Committee meeting.

FY24 Final Performance Bonus Incentive Pool Award
The final report of the FY24 Performance Bonus Incentive Pool payment showed the NMRE earning $1.7M plus an additional $1.6M in PBIP funds that was unearned by other regions.

More discussion on PBIP funds was discussed under the "Operations Committee Report."

PowerPoint Presentation on Michigan's Medicaid Program
Mr. Kurtz drew attention to a portion of the PowerPoint presentation from Meghan Groen that lists the impact of potential federal cuts to Michigan's Medicaid Program.

- Reducing 90% federal match rate for Medicaid expansion (HMP):
  - Aligning the expansion match rate with Michigan's traditional federal match of 65% would cost the state $1.1 billion annually. Absent this additional state investment, 30% of Michigan's Medicaid population would lose their health coverage.
- Limiting provider taxes:
  - Would result in cuts to hospital, nursing facility, and ambulance reimbursement. The loss of federal revenue would also likely necessitate broad-based cuts to benefits or already low reimbursement rates.
- Imposing work requirements:

    - Would add administrative costs to the state and a burden on beneficiaries and would lead to unnecessary coverage losses including for individuals who are already working.
- Ending enhanced federal match for certain administrative expenditures:
    - Would result in the need for considerable additional state dollars to backfill loss of funds for administrative activities such as IT maintenance and operations, nursing home certification and survey activities, and program integrity efforts.
- Per capita caps or block grants
    - Would cap federal funding available to support the state's Medicaid program over time. National estimates modeled to date project that Michigan could see a reduction in federal funding of $16 billion between FY2025 and FY2034.

Sample Board Resolution

The sample Board Resolution provided by CMHAM was offered for consideration in the event that the NMRE Board would like to formally oppose a competitive procurement process for Prepaid Inpatient Health Plans (PIHPs); and urge Governor Whitmer, the Michigan Department of Health and Human Services (MDHHS), and the Michigan Legislature to halt any plans for privatization and instead work collaboratively with counties, PIHPs, Community Mental Health Services Programs (CMHSPs), service users, and other stakeholders to strengthen and improve the public behavioral health system, by only allowing public organizations with experience in managing Michigan's public mental health system to be part of any bid process should one occur.

ANNOUNCEMENTS

Let the record show that new Board Member, Karen Goodman, appointed by Centra Wellness Network was introduced. It was noted that Northern Lakes CMHA's Chief Financial Officer, Kevin Hartley, was sitting in for Interim CEO, Brian Martinus.

PUBLIC COMMENT

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

REPORTS

Executive Committee Report

Let the record show that no meetings of the NMRE Executive Committee have occurred since the march Board Meeting.

CEO Report

The NMRE CEO Monthly Report for April 2025 was included in the materials for the meeting on this date. Mr. Kurtz drew attention to a meeting held on April 14th with the audit division at MDHHS regarding the fiscal year close-outs of Northern Lakes and potential further reviews for cost allocation. Some progress was made. MDHHS would like to close out FY22 with Northern Lakes and finish out the FY 24 audits prior to reviewing additional years for the cost allocation piece. The cost allocation lookback will likely be delayed until July or August of 2025.

February 2025 Financial Report

- Net Position showed a net deficit for Medicaid and HMP of $635,186. Carry forward was reported as $736,656. The total Medicaid and HMP Current Year surplus was reported as $101,470. The total Medicaid and HMP Internal Service Fund was reported as $20,576,156. The total Medicaid and HMP net surplus was reported as $20,677,626.

- Traditional Medicaid showed $87,603,922 in revenue, and $86,692,238 in expenses, resulting in a net surplus of $911,684. Medicaid ISF was reported as $13,514,675 based on the current FSR. Medicaid Savings was reported as $0.
- Healthy Michigan Plan showed $11,036,552 in revenue, and $12,583,422 in expenses, resulting in a net deficit of $1,546,870. HMP ISF was reported as $7,068,394 based on the current FSR. HMP savings was reported as $736,656.
- Health Home showed $1,417,931 in revenue, and $1,110,977 in expenses, resulting in a net surplus of $306,954.
- SUD showed all funding source revenue of $11,854,303 and $9,175,155 in expenses, resulting in a net surplus of $2,679,148. Total PA2 funds were reported as $4,360,589.

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	$92,609	$497,251	$4,360,589

Ms. Yockey shared an analysis of FY25 revenue compared to FY23 and FY24.

5 MONTH REVENUE				
	SUD	**MH**	**Total**	**% Change Incr (Decr)**
FY23	8,055,877	87,804,507	95,860,384	
FY24	7,851,361	90,054,786	97,906,147	2.1%
FY25	7,999,590	90,640,884	98,640,474	.8%

The NMRE received $1,888,658 in retroactive HSW payments on April 9th, about half of which were for missed payments in FY24.

Mr. Kurtz emphasized that currently revenue is not keeping up with costs; this led to the request for cost containment plans from the member CMHSPs. A mid-year rate adjustment has been discussed but is not guaranteed.

MOTION BY KARLA SHERMAN TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR FEBRUARY 2025; SUPPORT BY ERIC LAWSON. ROLL CALL VOTE.

"Yea" Votes: B. Adrian, T. Bratton, E. Ginop, K. Goodman, G. Klacking, E. Lawson, M. Marois, M. Newman, J. O'Farrell, R. Pilon, K. Sherman, D. Smeltzer, D. Tanner, C. Varner

"Nay" Votes: Nil

MOTION CARRIED.

Operations Committee Report
The draft minutes from April 15, 2025 were included in the materials for the meeting on this date. During the meeting, distribution of the NMRE's FY24 Performance Bonus Incentive Pool payment was discussed. Due to financial concerns, Mr. Kurtz proposed that the NMRE retain the entire $3,390,676.47 payment. Mr. Kurtz explained that the PIHPs' shared risk arrangement with the state was created when PIHPs were CMHSPs. Because of this, regions had general funds available if they fell into the risk corridor. Currently, PIHPs have no funding available if they enter the risk corridor.

TOTAL WITHHOLD	TOTAL WITHHOLD UNEARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
$1,736,971.94	$21,712.15	$1,675,416.68	$3,390,676.47

After discussion, the Operations Committee voted to allow the NMRE to retain the $1,675,416.68 that was unearned by other PIHP regions and paid to the NMRE and distribute the remainder of PBIP funding to the CMHSPs.

MOTION BY MARY MAROIS TO ALLOW THE NORTHERN MICHIGAN REGIONAL ENTITY TO RETAIN ONE MILLION SIX HUNDRED SEVENTY-FIVE THOUSAND FOUR HUNDRED SIXTEEN DOLLARS AND SIXTY-EIGHT CENTS OF PERFORMANCE BONUS INCENTIVE POOL FUNDS FOR FISCAL YEAR 2024 AND DISTRIBUTE THE REMAINING FUNDS TO THE MEMBER COMMUNITY MENTAL HEALTH SERVICES PROGRAMS; SUPPORT BY KARLA SHERMAN. ROLL CALL VOTE.

"Yea" Votes: B. Adrian, T. Bratton, E. Ginop, K. Goodman, G. Klacking, E. Lawson, M. Marois, M. Newman, J. O'Farrell, R. Pilon, K. Sherman, D. Smeltzer, D. Tanner, C. Varner

"Nay" Votes: Nil

MOTION CARRIED.

NMRE SUD Oversight Committee Report
The next meeting of the SUD Oversight Committee is scheduled for May 5, 2025 at 10:00AM.

NEW BUSINESS
NMRE Board Nominating Committee/Election of Officers
The NMRE Board Nominating Committee met prior to the meeting on this date. Mr. Smeltzer reported that the Nominating Committee voted in favor of renominating the current NMRE Board Officers.

- Chair – Gary Klacking (AuSable Valley)
- Vice-Chair – Don Tanner (Centra Wellness Network)
- Secretary – Karla Sherman (North Country)
- Additional Executive Committee Members – Ruth Pilon (Northern Lakes), Eric Lawson (Northeast Michigan)

Mr. Klacking called three times for additional nominations. Let the record show that no additional nominations were brought forth.

MOTION BY DON SMELTZER TO REAPPOINT THE EXISTING NORTHERN MICHIGAN REGIONAL ENTITY BOARD OFFICERS AND EXECUTIVE COMMITTEE MEMBERS; SUPPORT BY TOM BRATTON. MOTION CARRIED.

MCG Indicia PCE Interface Proposal

A proposal from MCG to purchase the Indicia PCE Interface was distributed on this date. MCG software solutions provide access to evidence-based best practices to enable clinical decision support and documentation. The NMRE purchased a static version of the MCG software as part of the region's parity plan. The proposal is to purchase Indicia, the interactive PCE interface.

Brought forward for consideration is a 3-year agreement with 5% increase annually, which is consistent with the agreement used with the other nine PIHPs. The fee is based on the number of individuals served in the region. Training on the platform is included in the cost. It is hoped that this tool will reduce appeals and staff time and increase uniformity within the region.

Summary of Costs:

Year 1	$90,001.70
Year 2	$94,501.79
Year 3	$99,226.87
Total	**$283,730.36**

MOTION BY BOB ADRIAN TO APPROVE THE PURCHASE OF INDICIA PCE INTERFACE AT A COST NOT TO EXCEED TWO HUNDRED EIGHTY-THREE THOUSAND SEVEN HUNDRED THIRTY-ONE DOLLARS ($283,731.00) FOR A THREE-YEAR TERM; SUPPORT BY DON SMELTZER. ROLL CALL VOTE.

"Yea" Votes: B. Adrian, T. Bratton, E. Ginop, K. Goodman, G. Klacking, E. Lawson, M. Marois, M. Newman, J. O'Farrell, R. Pilon, K. Sherman, D. Smeltzer, D. Tanner, C. Varner

"Nay" Votes: Nil

MOTION CARRIED.

OLD BUSINESS

Northern Lakes CMHA Update

As stated previously, MDHHS would like to close out FY22 with Northern Lakes and finish out the FY 24 audits prior to reviewing additional years for the cost allocation piece. Mr. Bratton shared that the Myers Group has been hired as a CEO search firm. A CEO job description will be released on April 25th. The hope is to have a permanent CEO in place by July of this year.

FY25 PIHP Contract Injunction and Complaint Update

The Defendants' request to dismiss the Second Amended Complaint filed by Plaintiffs (NorthCare Network Mental Health Care Entity, Northern Michigan Regional Entity, Community Mental Health Partnership of Southeast Michigan, and Region 10 PIHP), dated April 3, 2025 was included in the materials for the meeting on this date. A third response by the Plaintiffs has been drafted and will be sent to the judge by the May 1st due date.

PRESENTATION

DAB Analysis Summary

NMRE Chief Information Officer and Operations Manager, Brandon Rhue, provided an update on the impact of the migration of Medicaid enrollees from the DAB category to other, lower paying categories (HMP, TANF).

Medicaid Eligibility Category	Amount Paid Per Enrollee	Difference
Disabled, Aged (65 or older), and Blind (DAB)	$345.51	
Healthy Michigan Plan (HMP)	$53.56	$291.95
Temporary Assistance for Needy Families (TANF)	$39.20	$306.31

With the help of PCE Systems, data was collected from Michigan's 10 PIHPs from October 2019 to December 2024 and analyzed to identify enrollment trends and determine the financial impact of the DAB migration. Among other findings, the data shows that from July 2023 onward 1.45 million individuals statewide have migrated from DAB to a new population with an estimated loss in revenue for PIHPs totaling over $572M.

Mr. Rhue referenced an MDHHS policy effective February 1, 2025, which established asset limits for Supplemental Security Income (SSI) Related Medicaid Programs. The policy change increased the asset limits from $2,000/individual and $3,000/couple to the higher Medicare Savings Program's asset limits which are currently $9,430/individual and $14,130/couple. It is likely that individuals who did not previously qualify for Medicaid or were put on spenddowns, would qualify if they reapply; however, it is likely they are unaware of the increased asset limits. It was noted that it can take 12-18 months for an enrollee's Medicaid benefit to be changed back to the appropriate category.

Ms. Sherman voiced that the payment system appears to be purposefully dysfunctional.

Ms. Marois requested that a list of individuals who have moved from the DAB category to Medicaid spenddowns be shared with the CMHSPs for tracking purposes.

Mr. Rhue noted that the DAB analysis will be shared during the statewide CIO Forum on April 25th.

COMMENTS

Let the record show that there were no comments voiced at the close of the meeting on this date.

NEXT MEETING DATE

The next meeting of the NMRE Board of Directors was scheduled for 10:00AM on May 28, 2025.

ADJOURN

Let the record show that Mr. Klacking adjourned the meeting at 11:45AM.

Michigan Models New Approach to Treating Alcohol and Stimulant Use Disorders

Policymakers expand opioid use disorder health homes, improve care for people with other substance use disorders

FACT SHEET

May 15, 2025

Read time: 6 min

Projects: Substance Use Prevention and Treatment

Hal Bergman / Getty Images

Overview

Since 2018, Michigan's Medicaid program has provided treatment to patients with opioid use disorder (OUD) through health homes—a team of health providers that integrate and coordinate their services specifically for Medicaid enrollees.[1] These care models offer a range

of services, including "comprehensive care management, care coordination, health promotion, comprehensive transitional care/follow-up, individual and family support, and referral to community and social support services."[2] Care coordination services, which help organize care across different providers, increase the likelihood that patients with substance use disorders (SUDs) will initiate and stay in treatment.[3]

In September 2024, the Centers for Medicare & Medicaid Services (CMS) approved Michigan's first-in-the-nation expansion of a health home to treat other SUDs as well.[4] Such care is needed: In 2022, 43% of patient admissions to publicly funded SUD treatment programs in Michigan primarily involved the use of alcohol, 30% involved opioids, and 22% involved stimulants.[5] Today, people enrolled in Medicaid in Michigan can receive similar care for alcohol, opioid, and stimulant use disorders across all parts of the state.

This innovative approach offers lessons for other state officials looking to broaden their substance use disorder treatment services.

Michigan's OUD health homes improved care for participants

In Michigan, health home services are overseen by organizations known as Prepaid Inpatient Health Plans (PIHPs), which receive a fixed payment rate from the Michigan Department of Health and Human Services (MDHHS) to manage behavioral health and developmental disability services for Medicaid enrollees.[6] The state is divided into 10 regions, and each has a PIHP responsible for Medicaid enrollees within its region.[7]

More than 3,500 people in Michigan were enrolled in an OUD health home in June 2023.[8] Data shows that the people in this program were more likely to connect with care after an SUD-related emergency department visit as well as receive medication to treat their OUD. (See Table 1.)

Table 1

On Measures of Substance Use Treatment Quality, Michigan OUD Health Homes Outperform Other Types of Care

Comparison of publicly reported SUD-related health quality measures for Michigan adults, 2023

Measure	All adult Medicaid enrollees, ages 18-64	OUD health home enrollees, ages 18-64
Seven-day follow-up after emergency department visit for substance use*	27.6%	67.9%
30-day follow-up after emergency department visit for substance use*	42.6%	81.7%
Use of pharmacotherapy for OUD†	62.4%	96.5%

**Percentage of people who receive follow-up care for an SUD or an overdose within seven days, and 30 days after visiting an emergency department for an SUD-related issue.*

† Percentage of people with OUD who received buprenorphine, methadone, or naltrexone at least once during the calendar year for which the measure is reported.

Sources: Centers for Medicare & Medicaid Services, "2023 Measure Performance Tables on the Health Home Core Set Measures," 2023; Centers for Medicare & Medicaid Services, "Core Set Data Dashboard," 2023

Adapting the health home model to address alcohol and stimulant use disorders

The MDHHS recognized the need to treat people with other substance use disorders and, in fiscal year 2022, allowed PIHPs to use federal block grant dollars to create "look-alike" OUD health homes for people with other types of SUDs.[9]

The Northern Michigan Regional Entity (NMRE), which serves 21 counties encompassing cities including Traverse City and Cadillac in the northern portion of the lower Michigan peninsula, took advantage of this opportunity and focused on better meeting the needs of individuals with AUD. In the first quarter of fiscal 2025, over half (59%) of the region's 1,346 admissions for SUD treatment were primarily for alcohol, followed by methamphetamine (16%), and opioids (18%).[10]

> "We were able to partner with four of our existing opioid health home providers to serve an additional 300 clients with alcohol use disorders during this three-year pilot program."[11]
>
> **Heidi McClenaghan, NMRE quality manager**

In September 2024, the MDHHS received approval from CMS to permanently expand the OUD health home model to people with alcohol and stimulant use disorders across the state.[12]

"Expanding health home services strengthens our ability to connect Medicaid beneficiaries with substance use disorders to comprehensive, coordinated care," said Elizabeth Hertel, director of the MDHHS. "By enhancing care management and support services, we're helping individuals stay engaged in treatment and address the factors that impact long-term recovery."[13]

Key Features of Michigan's SUD Health Home

Patient eligibility: To receive SUD health home services, Michigan Medicaid enrollees cannot be incarcerated at the time of enrollment and must meet all three of the following criteria:

1. Have a diagnosis of alcohol, stimulant, or opioid use disorder.
2. Have or be at risk of developing a second chronic condition, including mental health conditions, asthma, diabetes, heart disease, chronic obstructive pulmonary disease, or have a body mass index over 25.
3. Not be enrolled in another health home program or Integrated Care MI Health Link (a program that provides integrated care for people who are dually eligible for Medicare and Medicaid) or receiving hospice services.

Service providers: SUD health home services are provided by "health home partners," which can include:

- Community mental health services programs
- Federally qualified health centers/primary care safety net clinics
- Hospital-based physician groups
- Physician or physician practices
- Rural health clinics
- Substance use disorder providers

- Opioid treatment providers
- Tribal health centers

Staffing requirements: Each health home partner must be able to meet the following staffing requirements per 100 people served:

- Behavioral health specialist (0.25 full-time equivalent [FTE])
- Nurse care manager (1 FTE)
- Peer recovery coach or community health worker (2-4 FTEs)
- Medical consultant (0.10 FTE)
- Psychiatric consultant (0.05 FTE)

Health home administration: In each region of the state, the PIHP serves as a lead entity (LE) responsible for managing health home services. LEs develop a network of health home providers to meet the needs of their region, support these providers in delivering high-quality coordinated care through training and technical assistance, and manage the Medicaid members' enrollment into the health home.

Payment model: LEs receive a monthly rate of $364.48 per health home enrollee from the MDHHS, at least 80% of which goes to health home partners on a per-enrollee basis. The remainder is used to support the program's administration.

The LEs also distribute a performance incentive annually to health home providers meeting MDHHS quality improvement benchmarks; this incentive is up to 5% of the base rate per member served. For the initiative's first year, health home partners will be assessed on how quickly they link people to treatment after diagnosis, patient follow-up after an emergency department visit, and the number of emergency department visits involving SUDs.

Source: Michigan Department of Health and Human Services, "Substance Use Disorder Health Home (SUDHH) Handbook," 2024

What other states can do

As of December 2024, there are six states with SUD health homes; Michigan is the only one that allows eligibility for people with substance use conditions beyond OUD.[14] Policymakers in the other five states can consider also expanding eligibility to people with other SUDs.

In states lacking a Medicaid health home model, policymakers can create one and begin providing critical services to people with a range of SUDs. Under current law, states that establish health homes receive additional federal Medicaid dollars totaling 90% of the program's cost for the first two years—so a state would only pay 10% initially.[15] After 24 months, the state would receive their usual federal match for Medicaid services.[16]

Michigan's experience shows it's possible to create health homes that offer needed care coordination to people with a variety of SUDs. Other states aiming to better serve their residents can follow suit.

Endnotes

1. Allen Jansen and Jon G. Villasurda Jr., "Michigan's Behavioral & Opioid Health Homes," Behavioral Health and Developmental Disabilities Administration, Michigan Department of Health and Human Services, 2020, https://www.house.mi.gov/hfa/PDF/HealthandHumanServices/DHHS_Subcmte_Testimony_BHDDA_Health_Home_Presentation_6-9-20.pdf.
2. "Health Home Information Resource Center," Centers for Medicare & Medicaid Services, https://www.medicaid.gov/resources-for-states/medicaid-state-technical-assistance/health-home-information-resource-center/index.html.
3. Louise Penzenstadler et al., "Effect of Case Management Interventions for Patients With Substance Use Disorders: A Systematic Review," Frontiers in Psychiatry 8, no. 51 (2017), https://pmc.ncbi.nlm.nih.gov/articles/PMC5382199/. Erin A. Vogel et al., "Strategies to Improve Treatment Utilization for Substance Use Disorders: A Systematic Review of Intervention Studies," Drug and Alcohol Dependence 212 (2020), https://escholarship.org/uc/item/1c02k9p9.
4. James G. Scott, director, division of program operations, Medicaid and CHIP Operations Group, Centers for Medicare & Medicaid Services, letter to Meghan E. Groen, senior deputy director, Behavioral and Physical Health and Aging Services Administration, Michigan Department of Health and Human Services, Sept. 26, 2024, https://www.medicaid.gov/medicaid/spa/downloads/MI-24-1002.pdf.
5. "Treatment Episode Data Set—Admissions (TEDS-A), 2022," Substance Abuse and Mental Health Services Administration, https://datatools.samhsa.gov/teds-a/2022/teds-a-2022-ds0001/variable-list.
6. "PIHP," Community Mental Health Association of Michigan, https://cmham.org/membership/pihp/.
7. "PIHP," Community Mental Health Association of Michigan.
8. Northern Michigan Regional Entity, "Service Delivery Transformation Section: June 2023 Update," in Northern Michigan Regional Entity Board Meeting Packet, June 28, 2023 (2023), https://www.nmre.org/application/files/8217/2434/4502/NMRE_JUNE_BOARD_MEETING_MATERIALS_062823.pdf.

9. Lindsey Naeyaert, “Michigan’s Health Homes,” Michigan Department of Health and Human Services, 2022, https://bhealthintegration.com/wp-content/uploads/2022/08/OHH-Kickoff-Intro.pdf.
10. Northern Michigan Regional Entity, “Northern Michigan Regional Entity Substance Use Disorder Services Admission Report,” 2025, https://www.nmre.org/application/files/8217/4066/6944/SUD_ADMISSIONS_REPORT_030325.pdf.
11. Heidi McClenaghan, quality manager, Northern Michigan Regional Entity, email to The Pew Charitable Trusts, March 5, 2025.
12. James G. Scott, letter to Meghan E. Groen.
13. Quote from Elizabeth Hertel, director of the Michigan Department of Health and Human Services, via Kelsey Bowen, department specialist, Michigan Department of Health and Human Services, email to The Pew Charitable Trusts, Feb. 26, 2025.
14. North Carolina also has a chronic conditions health home, which provides services to people with “severe SUD” among other conditions as part of a broader delivery system transformation effort. Centers for Medicare & Medicaid Services, “Medicaid Health Homes: State Plan Amendment Overview,” 2024, https://www.medicaid.gov/resources-for-states/downloads/hh-spa-overview-dec-2024.pdf. James G. Scott, director, Center for Medicaid and CHIP Services, letter to Jay Ludlam, deputy secretary of medical assistance, North Carolina Division of Medical Assistance, June 28, 2023, https://www.medicaid.gov/sites/default/files/2023-07/NC-22-0024.pdf.
15. Chris Traylor, “CMCS Informational Bulletin: Guidance for States on the Availability of an Extension of the Enhanced Federal Medical Assistance Percentage (FMAP) Period for Certain Medicaid Health Homes for Individuals With Substance Use Disorders (SUD),” news release, May 7, 2019, https://www.medicaid.gov/sites/default/files/Federal-Policy-Guidance/Downloads/cib050719.pdf.
16. Center for Health Care Strategies, “Best Practices for Designing and Implementing Substance Use Disorder (SUD)-Focused Health Homes,” 2020, https://www.chcs.org/media/Best-Practices-for-Designing-and-Implementing-Substance-Use-Disorder-Paper.pdf.

FACT SHEET

May 15, 2025

Projects: Substance Use Prevention and Treatment

Topics: Health Care

Experts: Alexandra Duncan, Brandee Izquierdo, Ph.D. & Frances McGaffey

Places: Michigan

RELATED EXPERTS

Alexandra Duncan
Project Director
Substance Use Prevention and Treatment

Brandee Izquierdo, Ph.D.
Director
Behavioral Health Programs

Frances McGaffey
Manager
Substance Use Prevention and Treatment

MEDIA CONTACT

Erin Davis

Manager, Communications

202.540.6677

Drivers of Budget Shortfalls

in Michigan's Public Mental Health System

Michigan's public mental health system is facing significant funding challenges due to several factors, chief among them the loss of Medicaid funds as people lose coverage, flat funding for core services being outpaced by rising medical inflation, skyrocketing program costs, and an unrelenting administrative burden from state regulators.

Loss of Medicaid Covered Lives + Increased Demand for Services

Michigan's public mental health system receives a payment for everyone enrolled in Medicaid. The public mental health system consistently services 300,000 – 350,000/year.

Enrollees have decreased by 700K since the end of the Public Health Emergency (PHE)

Demand for services continues to increase

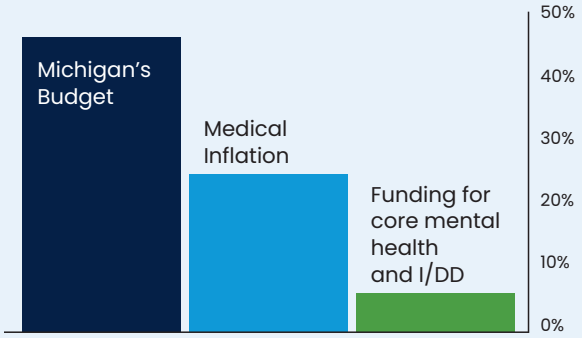
Skyrocketing Inpatient Psychiatric Hospital Costs

30%+
Increase in psychiatric hospitalizations since the end of the PHE. (Demand)

$1250+
Daily rates of community inpatient care. (Cost)

Demand & Cost of Autism Services Continue to Increase

Across the state demand for Applied Behavioral Analysis (ABA) services have steadily increased. ABA costs continue to increase. In FY25 the legislature approved a rate increase to $66/hour. Autism services continue to be underfunded in the budget.



Flat funding not keeping up with inflation

Above is a comparison of the increase (during the past 5 Fiscal Years) to Michigan's Budget, Medical Inflation, and Funding for core mental health and I/DD services, respectively.

System Funding Falls Far Below Appropriated Levels

MDHHS sent out hundreds of millions (or 2/3 of billion) less to the system, for the past three years, than was intended by the State Legislature and Governor

FY 2023 **$246M**

FY 2024 **$137M**

FY 2025 (projected) **$210M**

NEARLY **600M** Projected total underspending between FY23 and end of FY25

Unsustainable Specialized Residential Costs

Since 2020 rates for specialized residential **services have increased by over 70%.** Some CMHs are forced to pay over $2000/day for this service.

70%
Increase in rates for services

$2K/day
Cost to some CMHs.

MDHHS Administrative Burdens Overwhelming the Workforce

Since the end of the Public Health Emergency (PHE), **administrative burdens on the public mental health system have exploded**.

25%+
Increase in requirements, reports and documentation demands

In just the past five years, new requirements, reports and documentation demands have increased by more than 25%.

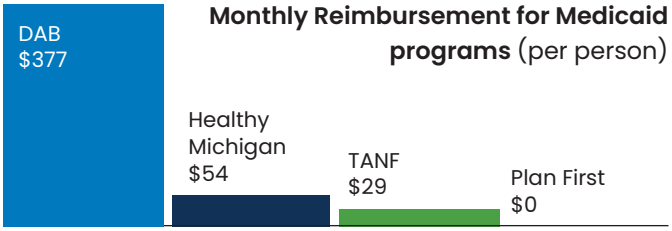
Community Mental Health agencies are now responsible for completing nearly 70 audits, reports and data submissions within a two-year period—that's more than three per month.

Medicaid Redetermination Irregularities

The movement of disabled, aged, and blind (DAB) beneficiaries to other Medicaid categories, has dramatically reduced the revenue expected and needed by the state's PIHPs.

$300M
Loss in revenue to the Prepaid Inpatient Health Plan (PIHP)

182%
Decrease in DAB months caused by the movement



Monthly Reimbursement for Medicaid programs (per person)

What we are asking

- Adjust Medicaid rates to accurately offset the disenrollment of the program.
- Urge MDHHS to push out already appropriated funds – STOP the Impoundment of Funds.
- Ensure that enrollees are slotted into the correct Medicaid bucket.
- Adjust Medicaid rates to accurately reflect the costs of services – Inpatient Hospitalization, specialized residential and autism.
- Dramatically reduce the unnecessary administrative burdens that go beyond federal requirements and that do not improve the lives of people served.

CMHA Community Mental Health Association of Michigan

The Community Mental Health Association of Michigan is the state association representing Michigan's public Community Mental Health (CMH) centers, the public Prepaid Inpatient Health Plans (PIHP – public health plans formed and governed by CMH centers) and the private providers within the CMH and PIHP provider networks.

FOR MORE INFORMATION, PLEASE VISIT CMHA.ORG OR CALL 517-347-6848.

CMHAM.org /CMHAMich @CMHAMich

BAY ARENAC
BEHAVIORAL HEALTH

Board Administration
Behavioral Health Center
201 Mulholland
Bay City, MI 48708
800-448-5498 Access Center
989-895-2300 Business

Arenac Center
PO Box 1188
1000 W. Cedar
Standish, MI 48658

North Bay
1961 E. Parish Road
Kawkawlin, MI 48631

William B. Cammin Clinic
1010 N. Madison
Bay City, MI 48708

www.babha.org

May 1, 2025

Elizabeth Hertel, Director
Michigan Department of Health and Human Services (MDHHS)
P.O. Box 30195
Lansing, MI 48909

RE: MDHHS procurement process for Pre-Paid Inpatient Health Plan (PIHP) contracts

Dear Director Hertel:

The purpose of this correspondence is to commend MDHHS for encouraging recommendations from the public regarding the intended procurement process for the PIHP specialty behavioral health system announced on February 28th. This feedback will be important in meeting the stated objectives of increasing consumer choice and access to services while preserving the county Community Mental Health Services Programs (CMHSPs).

As you are aware, the Michigan Mental Health Code (MHC), Public Act 258 of 1974, includes the following MI Complied laws (MCL) governing the state and county relationship for public behavioral health services:

- MCL 330.1116 requires the state "...to promote and maintain an adequate and appropriate system of CMHSPs" and "shift primary responsibility for the direct delivery of public mental health services from the state to CMHSPs".
- MCL 330.1202 requires the state to "financially support, in accordance with chapter 3, CMHSPs that have been established and that are administered according to the provisions of this chapter."
- MCL 330.1206 and 1208 requires CMHSPs to "provide a 24/7 comprehensive array of services and supports" to residents of the counties with the "most severe forms of mental illness, intellectual/developmental disabilities, and serious emotional disturbances".
- MCL 330.1240 stipulates that "All expenditures by a CMHSP necessary to execute the program shall be eligible for state financial support", that by definition would include both Medicaid and general funds received either directly or indirectly from MDHHS.
- MCL 330.1308 requires the State to "pay 90% of the annual net cost of a CMHSP" that is established and administered in accordance with the MHC.

In recognition of the non-discretionary statutory obligations of MDHHS in the operation of the public behavioral health system and the fact that only the counties are permitted to create a CMHSP eligible for the support noted above, it is clear that the 83 county governments are one of the most important stakeholders in this procurement dialogue.

We strongly encourage MDHHS to initiate specific outreach directly to the counties in this process prior to any final procurement decisions. As the locally elected representatives with the most direct accountability and responsibility to their constituents for CMHSP services, this will ensure that the needs of the larger community are reflected in any final procurement outcomes.

Thank you for your consideration in this matter. If you have any questions, please feel free to contact me at (989) 895-2348.

Sincerely,

Christopher Pinter
Chief Executive Officer

cc: Bay County Board of Commissioners
Arenac County Board of Commissioners
Michigan Association of Counties (MAC)
Community Mental Health Asosociation of Michigan (CMHA)

May 12, 2025

Centra Wellness
NETWORK

Mr. Gary Klacking, Chair
Mr. Eric Kurtz, CEO
Northern Michigan Regional Entity
1420 Plaza Drive
Petoskey, MI 49770

Dear Mr. Klacking & Mr. Kurtz,

Manistee-Benzie Community Mental Health d/b/a Centra Wellness Network (CWN) has become aware that one or more Members of the Northern Michigan Regional Entity (NMRE) are currently wrestling with budgetary issues. The CWN Board of Directors would like to express their strongest support to the Chief Executive Officer Mr. Eric Kurtz, Mr. Gary Klacking, Chair of the NMRE, CWN NMRE Board Members, and to the NMRE Board of Directors to take all necessary steps to protect the solvency of the NMRE and maintain a strong internal service fund (ISF).

The CWN Board of Directors remains committed to operating under or as closely as possible, to our allocation of per member per month (PMPM) Medicaid funds which is intended to support the citizens of Benzie and Manistee Counties.

Sincerely,

Terry Pechacek

Terry Pechacek, Board Chair
Centra Wellness Network

Cc: CWN Board Members
NMRE Board Members

Administrative Office: 310 North Glocheski Drive | Manistee, Michigan 49660
Manistee Wellness Center: 2198 US 31 South | Manistee, Michigan 49660 (use above address for mail)
Benzie Co. Resource Center: 6051 Frankfort Highway | Benzonia, Michigan 49616
Phone: 877.398.2013
www.centrawellness.org

Provider Notice-Memo

To: Licensed Prevention and Treatment Providers in NMRE Region
From: Northern Michigan Regional Entity
Subject: SUD Prevention Request for Proposal FY2026
Date: Monday, May 12, 2025

The Northern Michigan Regional Entity (NMRE) is issuing a Request for Proposal for Substance Use Disorder Prevention Services in FY 2026 for the counties of

Benzie, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, Wexford

Prevention Request for Proposal packets are available for download on the main page of the NMRE website www.nmre.org and www.drugfreenorthernmichigan.net
Completed proposals are due to the NMRE by **Friday, June 6, 2025**.

County	Available $	Requested $
Benzie	$16,409.00	
Grand Traverse	$96,641.00	
Kalkaska	$16,377.00	
Leelanau	$20,906.00	
Manistee	$23,742.00	
Missaukee	$13,379.00	
Wexford	$32,715.00	

NMRE employees will not respond to inquiries submitted via telephone, or visitation by proposing organizations or their representatives. Inquiries will be responded to as described within the RFP document. Providers that currently contract with NMRE for prevention services within these counties and that are interested in submitting a proposal will need to complete **all** documents in the packet as requested.

email correspondence

From: Monique Francis
To: Monique Francis
Cc: Robert Sheehan; Alan Bolter; Felicia Brabec
Subject: MDHHS to announce direct payment of PPS to state"s CCHBCs; actions to be taken by CMHA and members
Date: Friday, May 9, 2025 12:00:02 PM

To: CEOs of CMHs, PIHPs, and Provider Alliance members
From: Robert Sheehan, CEO, CMH Association of Michigan
Re: MDHHS to announce plan to directly pay CCBHCs

In discussions, yesterday and today, with the CCBHC team at MDHHS, CMHA has learned that that team will be announcing, in the next several days, plans to implement, by October 1, 2025, the direct payment to the state's CCBHCs of the full Prospective Payment System (PPS) payment. That payment would include both the base segment (drawn from the capitated Medicaid revenues received by the PIHPs in the CCBHC's region) and the supplemental segment of the PPS payment.

While CMHA supports an appropriately funded CCBHC system and the use of as simple and straightforward financing approach as possible in the funding of the state's CCBHCs, we raised a number of issues with the MDHHS CCBHC team underscoring our strong objections to much of the Department's proposals. The issues raised by us are far from minor. They center around the fundamentals upon which our system is based and are drawn from the analysis by CMHA and dialogue with many of you around what should be the aims of a CCBHC financing process. Those aims include:

1. Ensure sound and sustainable financing of the state's CCBHCs.
2. Provide a clear separation between services and their related costs, provided as a core statutorily-required CMHSP responsibility, and those which are not core CMHSP responsibilities but are required to be provided by CCBHCs.
3. Ensure that the statutorily-defined singular role of the state' CMHSPs is retained and strengthened.
4. Ensure that the managed care structure of Michigan's Medicaid-funded public mental health system, as outlined in the Michigan Medicaid waivers, is retained, given the non-managed nature of the CCBHC PPS payment via a fee-for-service or case rate PPS payment.
5. Ensure fiscal and clinical accountability in the use of Medicaid dollars.
6. Foster the vibrancy of the entire provider network within the CCBHC community.

As a result of this discussion between CMHA and the MDHHS CCBHC team, MDHHS did not agree to halt their work on this front but di agreed to engage in a rigorous and inclusive dialogue-centered development process for a refined CCBHC financing system.

The complexity and gravity of the issues contained in the Department's proposed direction will require that CMHA and CMHA members and persons served engage in this dialogue and development process.

CMHA will work to ensure that you aware of and involved in this dialogue and development process.

Additionally, in the near future, CMHA will be calling CMHA members together, perhaps in distinct interest groups (CCBHCs - both CMHSPs and private organizations; CMHSPs who are not CCBHCs; Provider Alliance members who are not CCBHCs; PIHPs), to discuss the Department's proposal, as well as our collective and individual responses to the proposal. These responses may involve political and/legal actions in addition to active participation in the dialogue and development process.

Look for more information on this front.

NORTHERN MICHIGAN REGIONAL ENTITY
FINANCE COMMITTEE MEETING
10:00AM – MAY 14, 2025
VIA TEAMS

ATTENDEES:	**Bea Arsenov, Brian Babbitt, Connie Cadarette, Ann Friend, Kevin Hartley, Nancy Kearly, Eric Kurtz, Brian Martinus, Donna Nieman, Allison Nicholson, Nena Sork, Erinn Trask, Tricia Wurn, Deanna Yockey, Carol Balousek**

REVIEW AGENDA & ADDITIONS
No additions to the meeting agenda were requested.

REVIEW PREVIOUS MEETING MINUTES
The April minutes were included in the materials packet for the meeting.

MOTION BY KEVIN HARTLEY TO APPROVE THE MINUTES OF THE APRIL 9, 2025 NORTHERN MICHIGAN REGIONAL ENTITY REGIONAL FINANCE COMMITTEE MEETING; SUPPORT BY CONNIE CADARETTE. MOTION APPROVED.

MONTHLY FINANCIALS
March 2025 Financial Report

- Net Position showed a net deficit for Medicaid and HMP of $823,262. Carry forward was reported as $736,656. The total Medicaid and HMP Current Year surplus was reported as $1,559,918. The total Medicaid and HMP Internal Service Fund was reported as $20,576,156. The total Medicaid and HMP net surplus was reported as $22,136,074.
- Traditional Medicaid showed $105,664,242 in revenue, and $103,225,423 in expenses, resulting in a net surplus of $2,438,819. Medicaid ISF was reported as $13,514,675 based on the current FSR. Medicaid Savings was reported as $0.
- Healthy Michigan Plan showed $13,276,682 in revenue, and $14,892,239 in expenses, resulting in a net deficit of $1,615,557. HMP ISF was reported as $7,068,394 based on the current FSR. HMP savings was reported as $736,656.
- Health Home showed $1,690,492 in revenue, and $1,336,532 in expenses, resulting in a net surplus of $353,960.
- SUD showed all funding source revenue of $14,356,224 and $11,138,267 in expenses, resulting in a net surplus of $3,217,957. Total PA2 funds were reported as $4,970,104.

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	$630,882	$4,970,104

Deanna clarified that the HAB waiver payments that came in for the first 6 months of FY25 will be reflected in the April report. The FY24 portion will be split out.

MOTION BY ERINN TRASK TO RECOMMEND APPROVAL OF THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR MARCH 2025; SUPPORT BY KEVIN HARTLEY. MOTION APPROVED.

EDIT UPDATE

The minutes from the April 17th meeting were not available; however, Donna provided the following update.

- T1001 Nursing Assessments in Substance Use Withdrawal Management Settings with No Overnight Stay (Unbundled H0010) will be added to the next edition of the code chart with noted on how/when to report.
- CAFAS and PECFAS language was removed from 90832, 90834, 90837, 90853, and 90887. A MichiCANS screener modifier (7Y) was added to H0002.
- The change the CLS code to use H2015 15-minute code for up to 9 hours, 59 minutes, H0043 per diem code for 10 hours – 15 hours 15 minutes, and H0043TG for 16+ hours as it will be included in amendments to the 1915(c) and 1915(i) waivers.
- EBP modifiers have been added for Children's services.
- The April 16th updates to the Code Chart and Provider Qualifications Chart may be found by visiting: Reporting Requirements.

The next EDIT meeting is scheduled for July 17th at 10:00AM.

EQI UPDATE

Tricia is in the process of responding to data requests from the Department. The NMRE's variance is due to Health Home reporting, possibly due to location setup. The Period 1 EQI will begin once this is sorted out. Period 1 templates are posted to the MDHHS website. The CMHSPs' EQIs are due to the NMRE on May 19th. There has been no change in the required tabs. The "Financial Reconciliation" tab is not required. The "Notes" section can be used to provide clarification.

ELECTRONIC VISIT VERIFICATION (EVV)

A Payor Portal training occurred on April 8th. CLS and Respite providers will need to download 837 files and upload them to PCE. A webinar took place on May 5th titled, "Mastering Visit Maintenance for EVV Success". A PIHP EVV Leads meeting with Michelle Hill is scheduled for 11:00 on this date.

HSW OPEN SLOTS UPDATE

NMRE Chief Clinical Officer, Bea Arsenov, was in attendance to discuss this agenda item. Currently 693 of the region's 697 slots are filled, leaving 4 unfilled. The most recent payment, however, was only for 651 HSW placements (42 missing). The NMRE received communication from MDHHS regarding concerns with oversight of HAB waiver pendbacks from MDHHS (likely under 5%). A meeting is scheduled for May 22nd with Lyndia Deromedi and Michael Glud to discuss four cases. This is slowing down the enrollment process. Bea will keep CMHSPs informed.

Donna noted that CWN's retro payment included payment for an individual in state facility. Bea responded that the payment will likely be recouped.

CHAMPS Fix Update
The fix to the CHAMPS system is expected on June 20, 2025.

Verification/Research Process
The NMRE continues to monitor missed payments. A report showing missed payments will be sent to the Department after the next payment is made on June 11th.

DAB TRANSITION
The statewide analysis prepared by the NMRE will be published though the CIO Forum and will be shared with this committee.

NMRE REVENUE & ELIGIBLES ANALYSIS
An analysis of November 2023 – April 2025 Revenue and Eligibles was emailed to the committee.

Children's Waiver Program			
	November 2023	April 2025	% Change
Revenue	$37,040	$29,628	-20.01%
Enrollees	11	9	-18.18%
Average Payment per Enrollee	$3,367	$3,292	-2.23%

DAB			
	November 2023	April 2025	% Change
Revenue	$9,796,214	$9,923,772	1.30%
Enrollees	27,979	25,270	-9.68%
Average Payment per Enrollee	$350	$393	12.16%

HMP			
	November 2023	April 2025	% Change
Revenue	$2,286,849	$2,218,559	-2.99%
Enrollees	45,924	33,620	-26.79%
Average Payment per Enrollee	$50	$66	32.52%

HSW			
	November 2023	April 2025	% Change
Revenue	$4,692,308	$6,975,512	48.66%
Enrollees	663	931	40.42%
Average Payment per Enrollee	$7,077	$7,492	5.87%

SED			
	November 2023	April 2025	% Change**
Revenue	$43,326	$22,785	47.41%
Enrollees	22	33	50%
Average Payment per Enrollee*	$1,969	$690	64.94%

**SED revenue was moved into DAB October 1, 2024.

TANF			
	November 2023	April 2025	% Change
Revenue	$2,763,765	$2,753,048	0.39%
Enrollees	65,030	54,576	16.08%
Average Payment per Enrollee	$42	$50	18.69%

TOTAL			
	November 2023	April 2025***	% Change
	$19,619,501	$21,923,304	11.74%

***The April payment included retro HSW.

COST CONTAINMENT PLANS

Eric received Cost Containment plans from the five CMHSPs by the May 1st due date and were discussed during the May 13th regional Operations Committee. Eric is confident that the strategies identified will positively impact the region's financial outlook. It was noted Northern Lakes' plan has not received Board approval; however, it is expected during the May 15th Board meeting.

AUDIT FY25 – FY26 RFP

Timeline Discussion

An RFP is being conducted to collect bids for financial audits for fiscal years 2025, 2026, and 2027 for the NMRE, Centra Wellness, North Country, Northern Lakes and Wellvance. Northeast Michigan has already approved the auding firm of Straley Lamp & Kraenzlein. The RFP will be released on May 15th and run through June 27th. Single audits will be requested for Northern Lakes and the NMRE. Electronic copies of auditing reports by end of April 30th. Notification of awards will be made August 29th. The RFP will be sent to the firms of Binder Dijker Otte (BDO), Dennis, Gartland & Niergarth, Roslund, Prestage & Company, Yeo & Yeo and must be posted on the NMRE's and each of the CMHSP's webpages.

AUTISM $66 IMPLEMENTATION/FUNDING DEFICIT

There was no update on this topic provided during the meeting.

INTENSIVE CRISIS STABILIZATION SERVICES

There was no update on this topic provided during the meeting.

NEXT MEETING

The next meeting was scheduled for June 11th at 10:00AM.

Chief Executive Officer Report

May 2025

This report is intended to brief the NMRE Board on the CEO's activities since the last Board meeting. The activities outlined are not all inclusive of the CEO's functions and are intended to outline key events attended or accomplished by the CEO.

April 25: Attended and participated in NLCMHA Dispute Resolution Committee Meeting.

April 28: Attended and participated in PIHP Compliance Officers Meeting.

April 30: Attended and participated in NMRE Internal Operations Committee Meeting.

May 1: Attended and participated in MDHHS PIHP Operations Committee Meeting.

May 5: Attended and participated in SUD Oversight Committee Meeting.

May 7: Attended MDHHS Medicaid Funding Briefing.

May 8: Presented regional update to NECMHA Board.

May 12: Attended NLCMHA Dispute Resolution Committee Meeting.

May 13: Chaired Regional Operations Committee Meeting.

May 14: Attended and Participated in NMRE Regional Finance Committee Meeting.

May 21: Attended and participated in SUD Clinical Workgroup Meeting.

May 22: Plan to attend the NMRE Day of Education.

March 2025 Finance Report

March 2025 Financial Summary

Funding Source	YTD Net Surplus (Deficit)	Carry Forward	ISF
Medicaid	2,438,819	-	13,514,675
Healthy Michigan	(1,615,557)	736,656	7,068,394
	$ 823,262	$ 736,656	$ 20,583,069

	NMRE MH	NMRE SUD	Northern Lakes	North Country	Northeast	Wellvance	Centra Wellness	PIHP Total
Net Surplus (Deficit) MA/HMP	1,414,842	2,892,960	(3,591,350)	(763,356)	(99,610)	1,000,055	(30,280)	$ 823,262
Carry Forward		-	-	-	-	-	-	736,656
Total Med/HMP Current Year Surplus	1,414,842	2,892,960	(3,591,350)	(763,356)	(99,610)	1,000,055	(30,280)	$ 1,559,918
Medicaid & HMP Internal Service Fund								20,576,156
Total Medicaid & HMP Net Surplus								$ 22,136,074

Northern Michigan Regional Entity

Funding Source Report - PIHP

Mental Health

October 1, 2024 through March 31, 2025

	NMRE MH	NMRE SUD	Northern Lakes	North Country	Northeast	Wellvance	Centra Wellness	PIHP Total
Traditional Medicaid (inc Autism)								
Revenue								
Revenue Capitation (PEPM)	$ 102,192,050	$ 3,472,192						$ 105,664,242
CMHSP Distributions	(97,893,347)		31,868,605	**26,260,174**	16,532,105	14,320,822	8,911,641	-
1st/3rd Party receipts			-	-	-	-	-	-
Net revenue	4,298,703	3,472,192	31,868,605	26,260,174	16,532,105	14,320,822	8,911,641	105,664,242
Expense								
PIHP Admin	1,475,205	27,620						1,502,825
PIHP SUD Admin		58,345						58,345
SUD Access Center		-						-
Insurance Provider Assessment	898,227	18,179						916,406
Hospital Rate Adjuster	-							-
Services	443,061	1,851,603	33,526,543	26,750,173	16,500,873	13,079,417	8,596,177	100,747,847
Total expense	2,816,493	1,955,747	33,526,543	26,750,173	16,500,873	13,079,417	8,596,177	103,225,423
Net Actual Surplus (Deficit)	$ 1,482,210	$ 1,516,445	$ (1,657,938)	$ (489,999)	$ 31,232	$ 1,241,405	$ 315,464	$ 2,438,819

Notes

Medicaid ISF - $13,514,675 - based on current FSR

Medicaid Savings - $0

Northern Michigan Regional Entity

Funding Source Report - PIHP

Mental Health
October 1, 2024 through March 31, 2025

	NMRE MH	NMRE SUD	Northern Lakes	North Country	Northeast	Wellvance	Centra Wellness	PIHP Total
Healthy Michigan								
Revenue								
Revenue Capitation (PEPM)	$ 7,129,468	$ 6,147,214						$ 13,276,682
CMHSP Distributions	(6,965,016)		2,558,337	1,987,026	906,150	947,343	566,161	-
1st/3rd Party receipts				-	-	-	-	-
Net revenue	164,452	6,147,214	2,558,337	1,987,026	906,150	947,343	566,161	13,276,682
Expense								
PIHP Admin	147,522	67,411						214,932
PIHP SUD Admin		142,400						142,400
SUD Access Center		-						-
Insurance Provider Assessment	84,298	41,754						126,052
Hospital Rate Adjuster	-							-
Services	-	4,519,134	4,491,749	2,260,383	1,036,991	1,188,692	911,905	14,408,854
Total expense	231,820	4,770,699	4,491,749	2,260,383	1,036,991	1,188,692	911,905	14,892,239
Net Surplus (Deficit)	$ (67,368)	$ 1,376,515	$ (1,933,412)	$ (273,357)	$ (130,841)	$ (241,349)	$ (345,744)	$ (1,615,557)

Notes
HMP ISF - $7,068,394 - based on current FSR
HMP Savings - $736,656

Net Surplus (Deficit) MA/HMP	**$ 1,414,842**	**$ 2,892,960**	**$ (3,591,350)**	**$ (763,356)**	**$ (99,610)**	**$ 1,000,055**	**$ (30,280)**	**$ 823,262**
Medicaid/HMP Carry Forward								**736,656**
Total Med/HMP Current Year Surplus								$ 1,559,918
Medicaid & HMP ISF - based on current FSR								**20,576,156**
Total Medicaid & HMP Net Surplus (Deficit) including Carry Forward and ISF								**$ 22,136,074**

Northern Michigan Regional Entity

Funding Source Report - PIHP

Mental Health

October 1, 2024 through March 31, 2025

	NMRE MH	NMRE SUD	Northern Lakes	North Country	Northeast	Wellvance	Centra Wellness	PIHP Total
Health Home								
Revenue								
Revenue Capitation (PEPM)	$ 648,111		268,492	181,802	202,861	109,503	279,723	$ 1,690,492
CMHSP Distributions	-							-
1st/3rd Party receipts								-
Net revenue	648,111	-	268,492	181,802	202,861	109,503	279,723	1,690,492
Expense								
PIHP Admin	19,360							19,360
BHH Admin	19,308							19,308
Insurance Provider Assessment	-							-
Hospital Rate Adjuster								
Services	255,483		268,492	181,802	202,861	109,503	279,723	1,297,864
Total expense	294,151	-	268,492	181,802	202,861	109,503	279,723	1,336,532
Net Surplus (Deficit)	$ 353,960	$ -	$ -	$ -	$ -	$ -	$ -	$ 353,960

Northern Michigan Regional Entity

Funding Source Report - SUD

Mental Health

October 1, 2024 through March 31, 2025

	Medicaid	Healthy Michigan	Opioid Health Home	SAPT Block Grant	PA2 Liquor Tax	Total SUD
Substance Abuse Prevention & Treatment						
Revenue	$ 3,472,192	$ 6,147,214	$ 2,150,658	$ 1,955,282	$ 630,878	$ 14,356,224
Expense						
Administration	85,965	209,811	79,209	133,491		508,475
OHH Admin			40,369	-		40,369
Block Grant Access Center	-	-	-	-		-
Insurance Provider Assessment	18,179	41,754	-			59,933
Services:						
Treatment	1,851,603	4,519,134	1,706,084	855,430	630,878	9,563,129
Prevention	-	-	-	425,608	-	425,608
ARPA Grant	-	-	-	540,753	-	540,753
Total expense	1,955,747	4,770,699	1,825,662	1,955,282	630,878	11,138,267
PA2 Redirect			-	(0)		(0)
Net Surplus (Deficit)	$ 1,516,445	$ 1,376,515	$ 324,996	$ 0	$ -	$ 3,217,957

Northern Michigan Regional Entity

Statement of Activities and Proprietary Funds Statement of

Revenues, Expenses, and Unspent Funds
October 1, 2024 through March 31, 2025

	PIHP MH	PIHP SUD	PIHP ISF	Total PIHP
Operating revenue				
Medicaid	$ 102,192,050	$ 3,472,192	$ -	$ 105,664,242
Medicaid Savings	-	-	-	-
Healthy Michigan	7,129,468	6,147,214	-	13,276,682
Healthy Michigan Savings	736,656	-	-	736,656
Health Home	1,690,492	-	-	1,690,492
Opioid Health Home	-	2,150,658	-	2,150,658
Substance Use Disorder Block Grant	-	1,955,282	-	1,955,282
Public Act 2 (Liquor tax)	-	630,878	-	630,878
Affiliate local drawdown	297,408	-	-	297,408
Performance Incentive Bonus	-	-	-	-
Miscellanous Grant Revenue	-	4,000	-	4,000
Veteran Navigator Grant	43,542	-	-	43,542
SOR Grant Revenue	-	720,833	-	720,833
Gambling Grant Revenue	-	109,205	-	109,205
Other Revenue	35	-	1,658	1,693
Total operating revenue	112,089,651	15,190,262	1,658	127,281,571
Operating expenses				
General Administration	1,771,977	378,585	-	2,150,562
Prevention Administration	-	60,498	-	60,498
OHH Administration	-	40,369	-	40,369
BHH Administration	19,308	-	-	19,308
Insurance Provider Assessment	982,525	59,933	-	1,042,458
Hospital Rate Adjuster	-	-	-	-
Payments to Affiliates:				
Medicaid Services	98,896,244	1,851,603	-	100,747,847
Healthy Michigan Services	9,889,720	4,519,134	-	14,408,854
Health Home Services	1,297,864	-	-	1,297,864
Opioid Health Home Services	-	1,706,084	-	1,706,084
Community Grant	-	855,430	-	855,430
Prevention	-	365,110	-	365,110
State Disability Assistance	-	-	-	-
ARPA Grant	-	540,753	-	540,753
Public Act 2 (Liquor tax)	-	630,878	-	630,878
Local PBIP	-	-	-	-
Local Match Drawdown	297,408	-	-	297,408
Miscellanous Grant	-	4,000	-	4,000
Veteran Navigator Grant	43,542	-	-	43,542
SOR Grant Expenses	-	720,833	-	720,833
Gambling Grant Expenses	-	109,205	-	109,205
Total operating expenses	113,198,588	11,842,415	-	125,041,003
CY Unspent funds	(1,108,937)	3,347,847	1,658	2,240,568
Transfers In	-	-	-	-
Transfers out	-	-	-	-
Unspent funds - beginning	3,466,474	4,765,230	20,583,069	28,814,773
Unspent funds - ending	$ 2,357,537	$ 8,113,077	$ 20,584,727	$ 31,055,341

Northern Michigan Regional Entity

Statement of Net Position

March 31, 2025

	PIHP MH	PIHP SUD	PIHP ISF	Total PIHP
Assets				
Current Assets				
Cash Position	$ 52,489,469	$ 7,408,751	$ 20,584,727	$ 80,482,947
Accounts Receivable	4,091,072	2,339,992	-	6,431,064
Prepaids	59,521	-	-	59,521
Total current assets	56,640,062	9,748,743	20,584,727	86,973,532
Noncurrent Assets				
Capital assets	563,178	-	-	563,178
Total Assets	57,203,240	9,748,743	20,584,727	87,536,710
Liabilities				
Current liabilities				
Accounts payable	54,593,215	1,635,666	-	56,228,881
Accrued liabilities	252,488	-	-	252,488
Unearned revenue	-	-	-	-
Total current liabilities	54,845,703	1,635,666	-	56,481,369
Unspent funds	$ 2,357,537	$ 8,113,077	$ 20,584,727	$ 31,055,341

Northern Michigan Regional Entity

Proprietary Funds Statement of Revenues, Expenses, and Unspent Funds

Budget to Actual - Mental Health
October 1, 2024 through March 31, 2025

	Total Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	Percent Favorable (Unfavorable)
Operating revenue					
Medicaid					
* Capitation	$ 187,752,708	$ 93,876,354	$ 102,192,050	$ 8,315,696	8.86%
Carryover	11,400,000	-	-	-	-
Healthy Michigan					
Capitation	19,683,372	9,841,686	7,129,468	(2,712,218)	(27.56%)
Carryover	5,100,000	-	736,656	736,656	0.00%
Health Home	1,451,268	725,634	1,690,492	964,858	132.97%
Affiliate local drawdown	594,816	297,408	297,408	-	0.00%
Performance Bonus Incentive	1,334,531	1,334,531	-	(1,334,531)	(100.00%)
Miscellanous Grants	-	-	-	-	0.00%
Veteran Navigator Grant	110,000	55,002	43,542	(11,460)	(20.84%)
Other Revenue	-	-	35	35	0.00%
Total operating revenue	227,426,695	106,130,615	112,089,651	5,959,036	5.61%
Operating expenses					
General Administration	3,591,836	1,781,628	1,771,977	9,651	0.54%
BHH Administration	-	-	19,308	(19,308)	0.00%
Insurance Provider Assessment	1,897,524	948,762	982,525	(33,763)	(3.56%)
Hospital Rate Adjuster	4,571,328	2,285,664	-	2,285,664	100.00%
Local PBIP	1,737,753	-	-	-	0.00%
Local Match Drawdown	594,816	297,408	297,408	-	0.00%
Miscellanous Grants	-	-	-	-	0.00%
Veteran Navigator Grant	110,004	45,858	43,542	2,316	5.05%
Payments to Affiliates:					
Medicaid Services	176,618,616	88,309,308	98,896,244	(10,586,936)	(11.99%)
Healthy Michigan Services	17,639,940	8,819,970	9,889,720	(1,069,750)	(12.13%)
Health Home Services	1,415,196	707,598	1,297,864	(590,266)	(83.42%)
Total operating expenses	208,177,013	103,196,196	113,198,588	(10,002,392)	(9.69%)
CY Unspent funds	$ 19,249,682	$ 2,934,419	(1,108,937)	$ (4,043,356)	
Transfers in			-		
Transfers out			-	113,198,588	
Unspent funds - beginning			3,466,474		
Unspent funds - ending			$ 2,357,537	(1,108,937)	

Northern Michigan Regional Entity

Proprietary Funds Statement of Revenues, Expenses, and Unspent Funds

Budget to Actual - Substance Abuse
October 1, 2024 through March 31, 2025

	Total Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	Percent Favorable (Unfavorable)
Operating revenue					
Medicaid	$ 4,678,632	$ 2,339,316	$ 3,472,192	$ 1,132,876	48.43%
Healthy Michigan	11,196,408	5,598,204	6,147,214	549,010	9.81%
Substance Use Disorder Block Grant	6,467,905	3,233,950	1,955,282	(1,278,668)	(39.54%)
Opioid Health Home	3,419,928	1,709,964	2,150,658	440,694	25.77%
Public Act 2 (Liquor tax)	1,533,979	-	630,878	630,878	0.00%
Miscellanous Grants	4,000	2,000	4,000	2,000	100.00%
SOR Grant	2,043,984	1,021,992	720,833	(301,159)	(29.47%)
Gambling Prevention Grant	200,000	100,000	109,205	9,205	9.20%
Other Revenue	-	-	-	-	0.00%
Total operating revenue	29,544,836	14,005,426	15,190,262	1,184,836	8.46%
Operating expenses					
Substance Use Disorder:					
SUD Administration	1,082,576	511,290	378,585	132,705	25.95%
Prevention Administration	118,428	59,214	60,498	(1,284)	(2.17%)
Insurance Provider Assessment	113,604	56,802	59,933	(3,131)	(5.51%)
Medicaid Services	3,931,560	1,965,780	1,851,603	114,177	5.81%
Healthy Michigan Services	10,226,004	5,113,002	4,519,134	593,868	11.61%
Community Grant	2,074,248	1,037,124	855,430	181,694	17.52%
Prevention	634,056	317,028	365,110	(48,082)	(15.17%)
State Disability Assistance	95,215	47,611	-	47,611	100.00%
ARPA Grant	-	-	540,753	(540,753)	0.00%
Opioid Health Home Admin	-	-	40,369	(40,369)	0.00%
Opioid Health Home Services	3,165,000	1,582,500	1,706,084	(123,584)	(7.81%)
Miscellanous Grants	4,000	2,000	4,000	(2,000)	(100.00%)
SOR Grant	2,043,984	1,021,992	720,833	301,159	29.47%
Gambling Prevention	200,000	100,000	109,205	(9,205)	(9.20%)
PA2	1,533,978	-	630,878	(630,878)	0.00%
Total operating expenses	25,222,653	11,814,343	11,842,415	(28,072)	(0.24%)
CY Unspent funds	$ 4,322,183	$ 2,191,083	3,347,847	$ 1,156,764	
Transfers in			-		
Transfers out			-		
Unspent funds - beginning			4,765,230		
Unspent funds - ending			$ 8,113,077		

Northern Michigan Regional Entity

Proprietary Funds Statement of Revenues, Expenses, and Unspent Funds

Budget to Actual - Mental Health Administration
October 1, 2024 through March 31, 2025

	Total Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	Percent Favorable (Unfavorable)
General Admin					
Salaries	$ 1,921,812	$ 960,906	$ 1,001,138	$ (40,232)	(4.19%)
Fringes	666,212	316,812	314,599	2,213	0.70%
Contractual	683,308	341,658	279,729	61,929	18.13%
Board expenses	18,000	9,000	10,129	(1,129)	(12.54%)
Day of recovery	14,000	9,000	350	8,650	96.11%
Facilities	152,700	76,350	62,320	14,030	18.38%
Other	135,804	67,902	103,712	(35,810)	(52.74%)
Total General Admin	$ 3,591,836	$ 1,781,628	$ 1,771,977	$ 9,651	0.54%

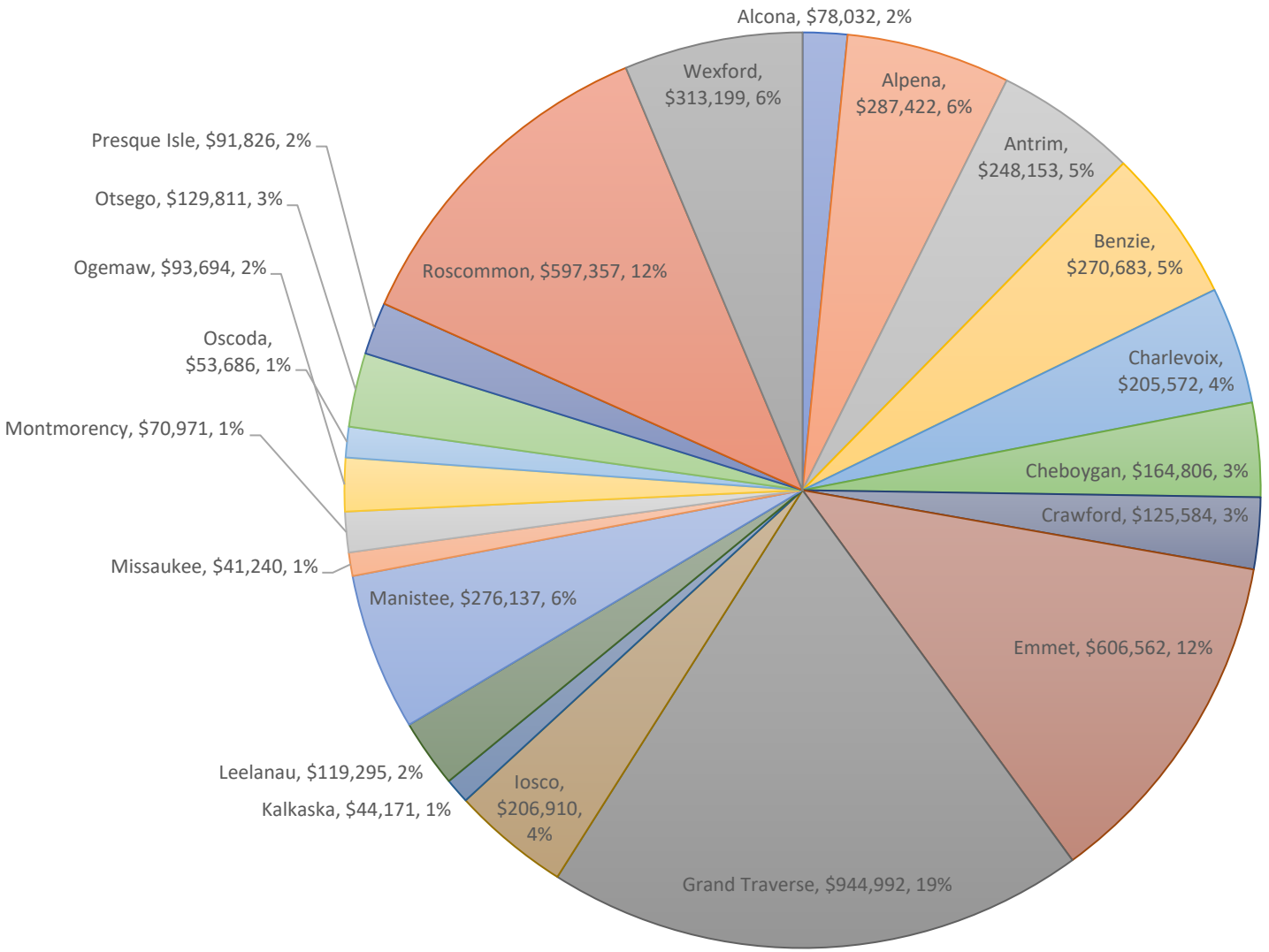
Northern Michigan Regional Entity

Schedule of PA2 by County

October 1, 2024 through March 31, 2025

	Projected FY25 Activity				Actual FY25 Activity			
	Beginning Balance	FY25 Projected Revenue	FY25 Approved Projects	Projected Ending Balance	Current Receipts	County Specific Projects	Region Wide Projects by Population	Ending Balance
County						Actual Expenditures by County		
Alcona	$ 71,885	$ 23,013	$ 21,562	$ 73,336	$ 9,914	3,767	$ -	$ 78,032
Alpena	276,605	81,249	115,352	242,502	38,033	27,216	-	287,422
Antrim	225,891	71,430	37,276	260,045	33,812	11,550	-	248,153
Benzie	257,777	64,021	52,479	269,320	29,286	16,379	-	270,683
Charlevoix	240,410	106,977	204,773	142,613	46,677	81,515	-	205,572
Cheboygan	141,238	85,508	65,816	160,930	40,575	17,006	-	164,806
Crawford	126,884	36,205	68,993	94,096	17,924	19,225	-	125,584
Emmet	604,860	182,951	363,695	424,117	82,567	80,866	-	606,562
Grand Traverse	947,150	464,163	558,074	853,238	205,396	207,553	-	944,992
Iosco	186,997	84,319	73,780	197,537	38,690	18,777	-	206,910
Kalkaska	25,843	41,796	2,436	65,203	18,678	349	-	44,171
Leelanau	97,166	63,811	39,737	121,240	27,988	5,860	-	119,295
Manistee	259,014	82,480	104,210	237,284	36,904	19,781	-	276,137
Missaukee	30,683	22,352	20,908	32,127	10,850	293	-	41,240
Montmorency	59,540	30,318	8,457	81,401	13,074	1,643	-	70,971
Ogemaw	64,110	68,787	11,101	121,797	30,828	1,244	-	93,694
Oscoda	44,727	21,668	7,577	58,818	10,432	1,473	-	53,686
Otsego	112,969	105,067	98,424	119,612	48,085	31,243	-	129,811
Presque Isle	82,660	24,977	11,701	95,936	11,445	2,279	-	91,826
Roscommon	576,714	87,317	55,007	609,024	39,501	18,858	-	597,357
Wexford	332,107	98,696	229,583	201,220	45,098	64,006	-	313,199
	4,765,231	1,847,106	2,150,940	4,461,397	835,755	630,882	-	4,970,104
PA2 Redirect								-
								4,970,104

PA2 FUND BALANCES BY COUNTY



Northern Michigan Regional Entity

Proprietary Funds Statement of Revenues, Expenses, and Unspent Funds

Budget to Actual - Substance Abuse Administration

October 1, 2024 through March 31, 2025

	Total Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	Percent Favorable (Unfavorable)
SUD Administration					
Salaries	$ 723,372	$ 361,686	$ 222,971	$ 138,715	38.35%
Fringes	212,604	106,302	71,977	34,325	32.29%
Access Salaries	-	-	-	-	0.00%
Access Fringes	-	-	-	-	0.00%
Access Contractual	-	-	-	-	0.00%
Contractual	129,000	37,500	57,333	(19,833)	(52.89%)
Board expenses	5,000	2,502	2,660	(158)	(6.31%)
Day of Recover	-	-	10,278	(10,278)	0.00%
Facilities	-	-	-	-	0.00%
Other	12,600	3,300	13,366	(10,066)	(305.03%)
Total operating expenses	$ 1,082,576	$ 511,290	$ 378,585	$ 132,705	25.95%

Northern Michigan Regional Entity

Proprietary Funds Statement of Revenues, Expenses, and Unspent Funds

Budget to Actual - ISF

October 1, 2024 through March 31, 2025

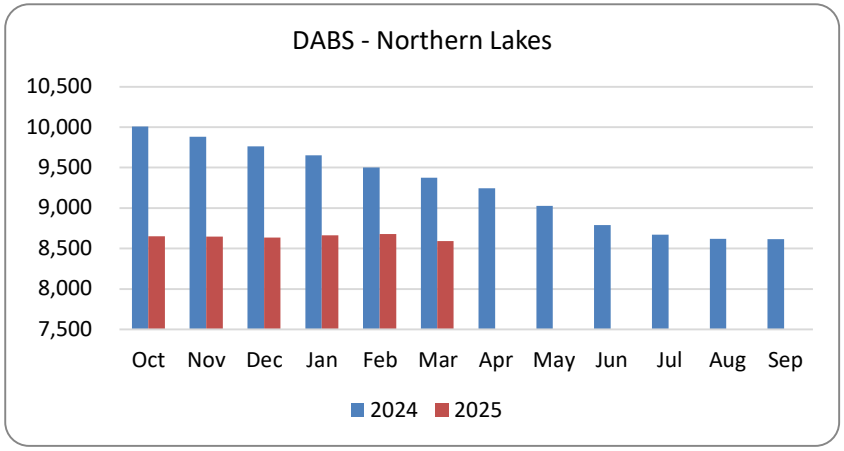
	Total Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	Percent Favorable (Unfavorable)
Operating revenue					
Charges for services	$ -	$ -	$ -	$ -	0.00%
Interest and Dividends	7,500	3,750	1,658	(2,092)	(55.79%)
Total operating revenue	7,500	3,750	1,658	(2,092)	(55.79%)
Operating expenses					
Medicaid Services	-	-	-	-	0.00%
Healthy Michigan Services	-	-	-	-	0.00%
Total operating expenses	-	-	-	-	0.00%
CY Unspent funds	$ 7,500	$ 3,750	1,658	$ (2,092)	
Transfers in			-		
Transfers out			-	-	
Unspent funds - beginning			20,583,069		
Unspent funds - ending			$ 20,584,727		

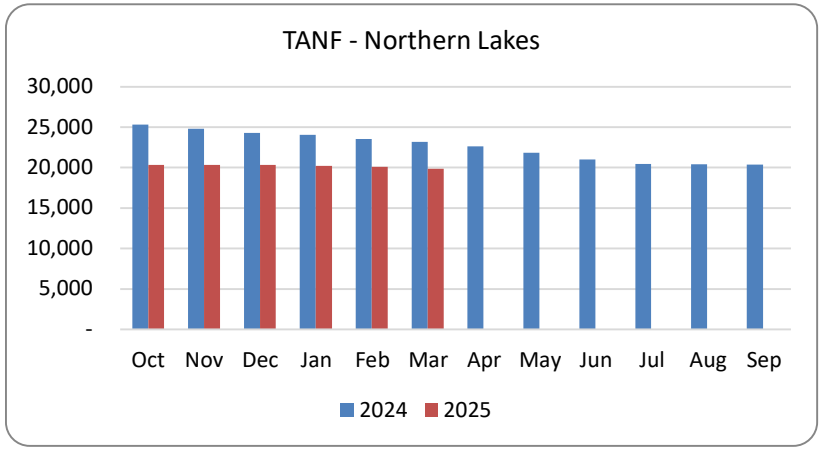
Northern Michigan Regional Entity

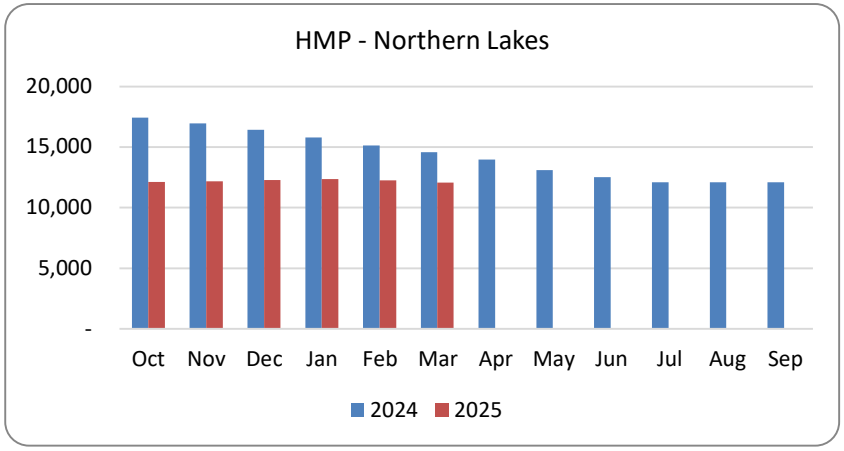
Narrative

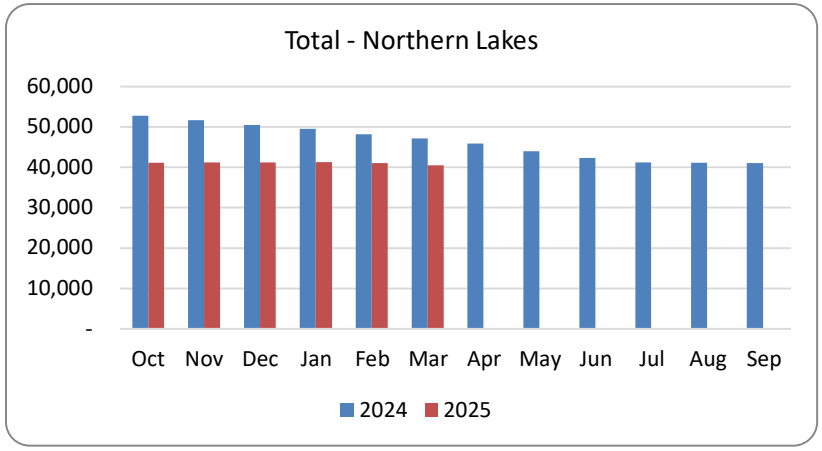
October 1, 2024 through March 31, 2025

Northern Lakes Eligible Members Trending - based on payment files







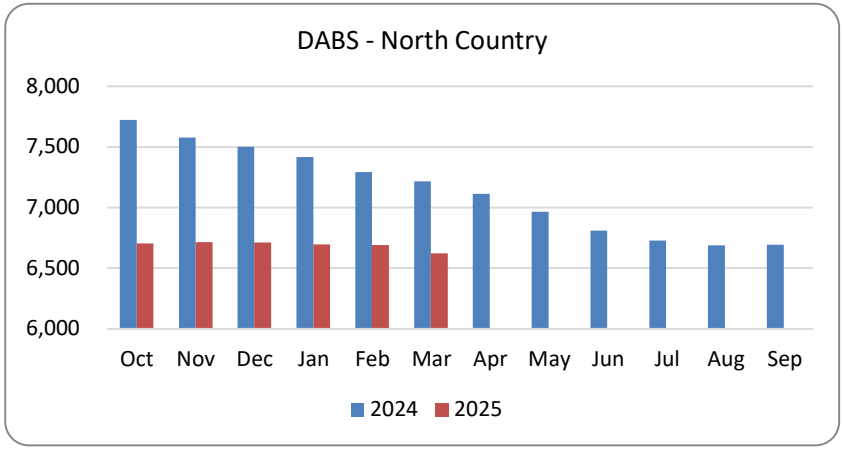


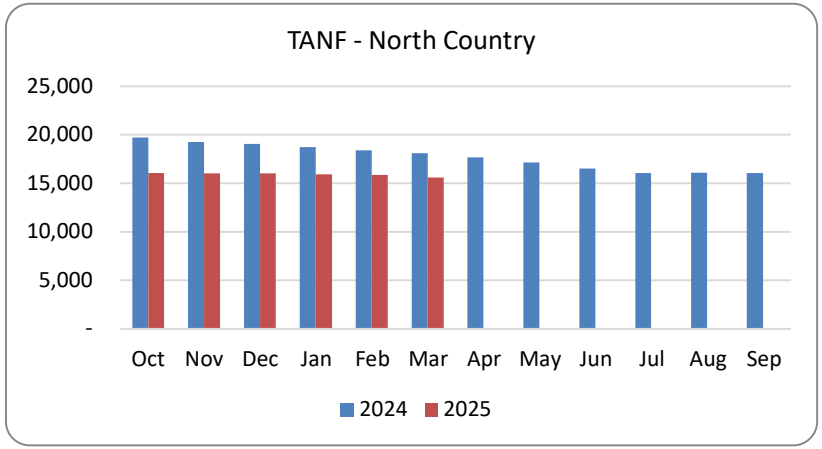
Northern Michigan Regional Entity

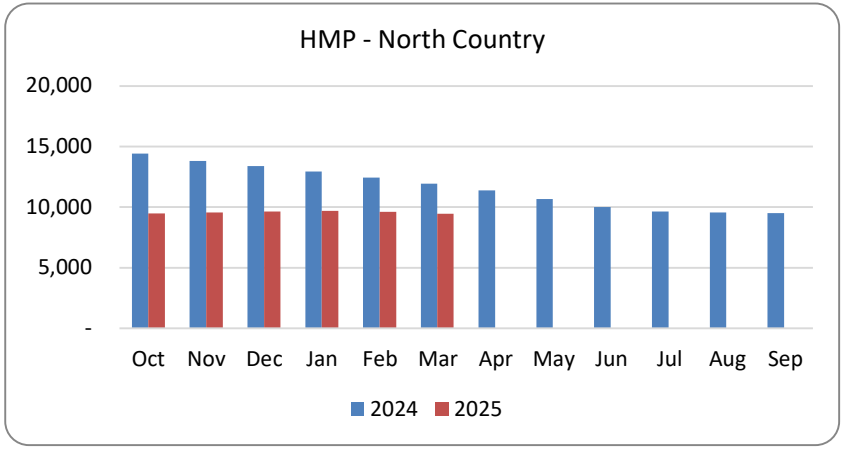
Narrative

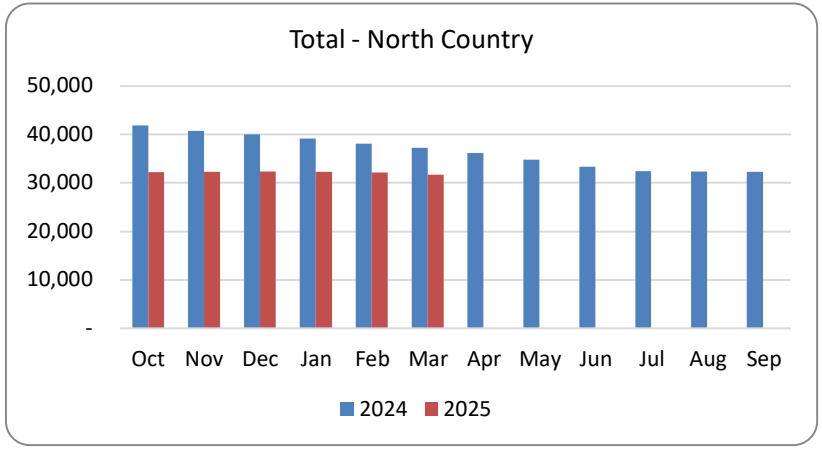
October 1, 2024 through March 31, 2025

North Country Eligible Members Trending - based on payment files







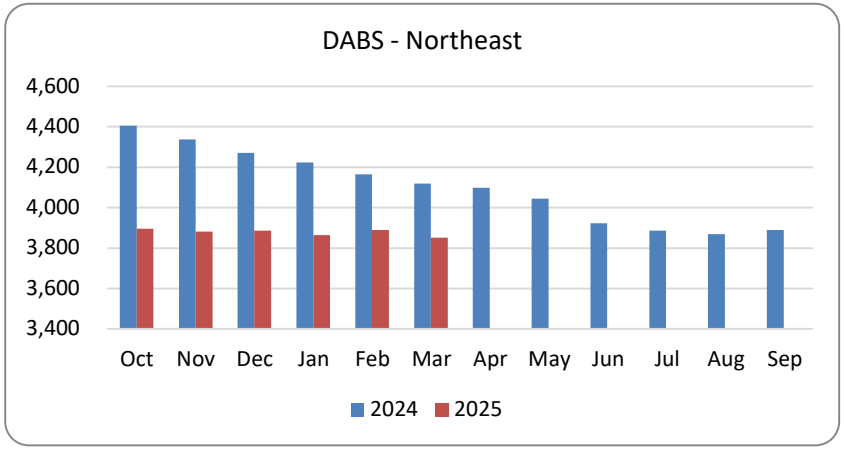


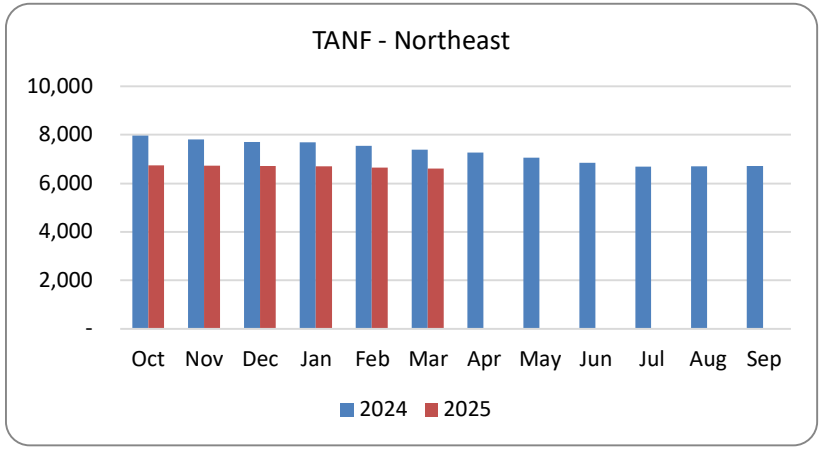
Northern Michigan Regional Entity

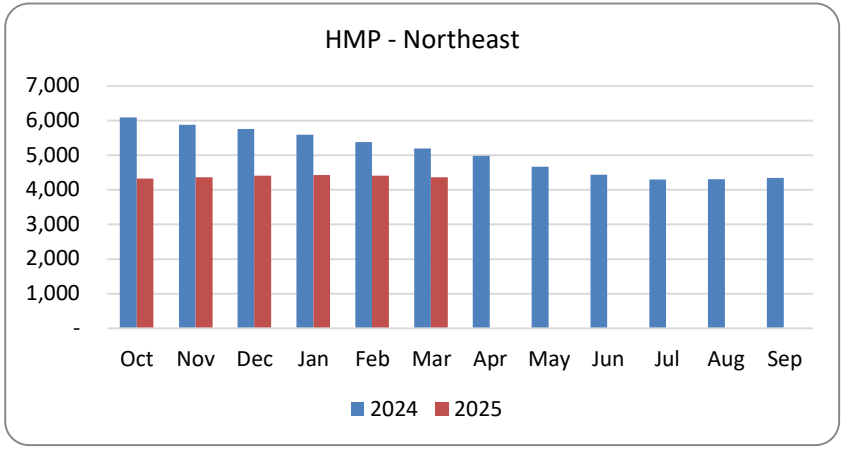
Narrative

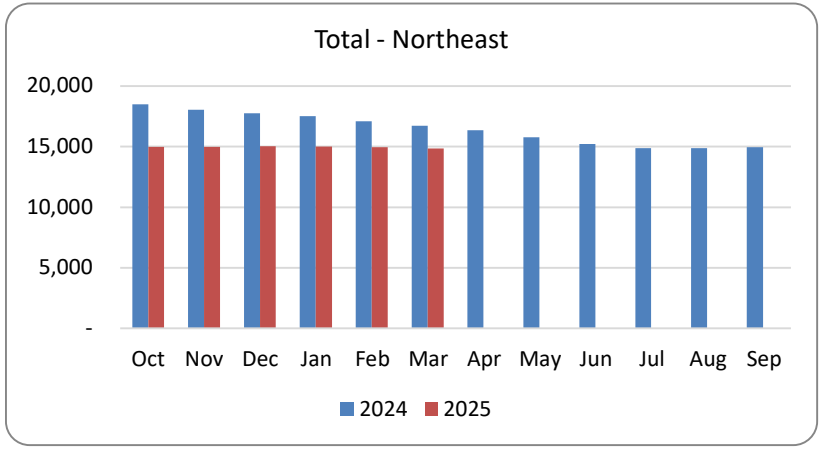
October 1, 2024 through March 31, 2025

Northeast Eligible Members Trending - based on payment files







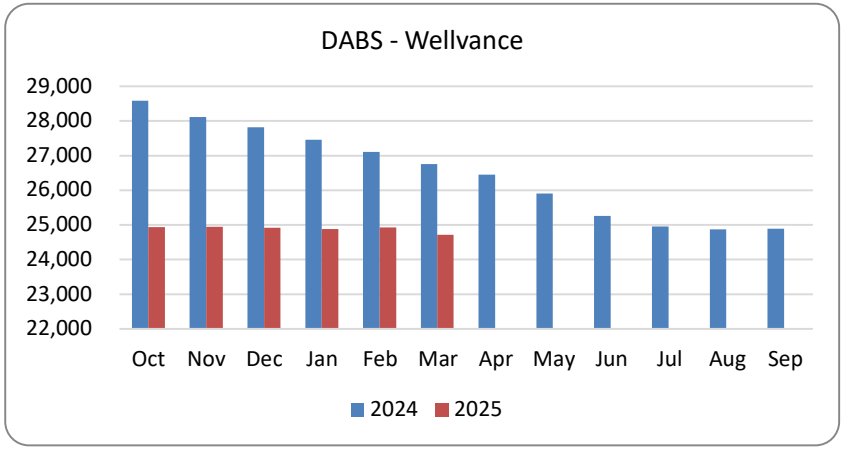


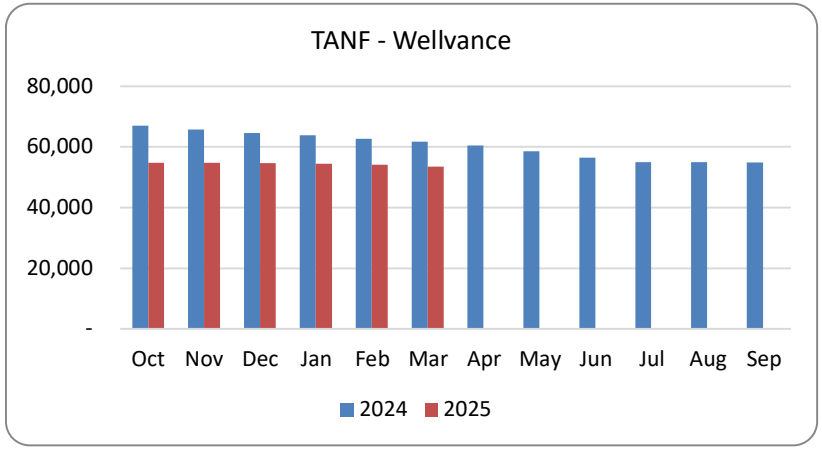
Northern Michigan Regional Entity

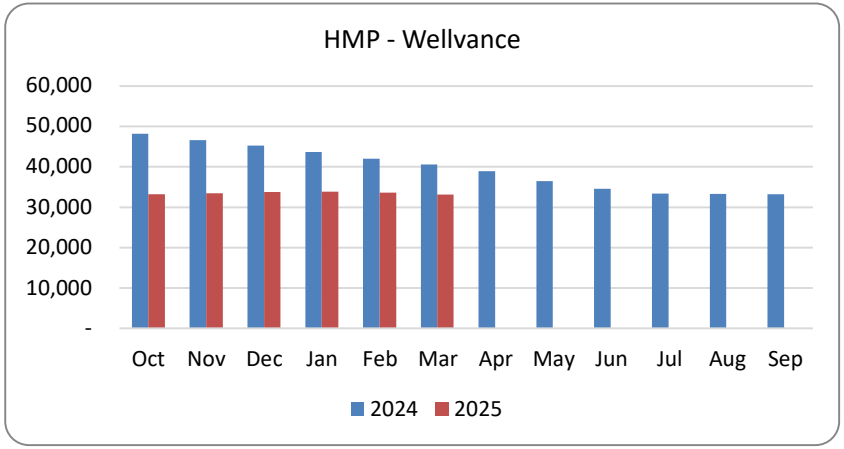
Narrative

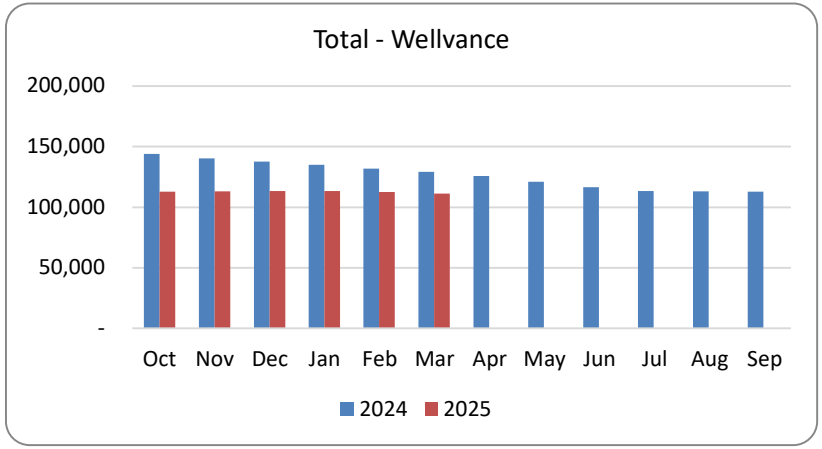
October 1, 2024 through March 31, 2025

Wellvance Eligible Members Trending - based on payment files







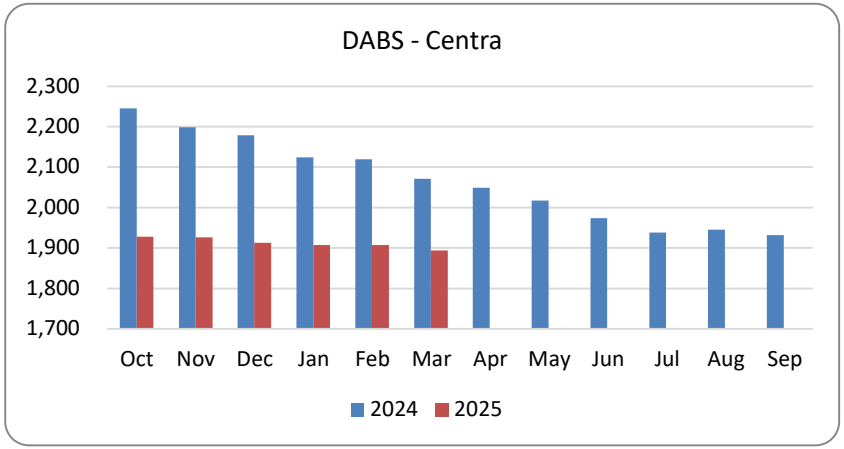


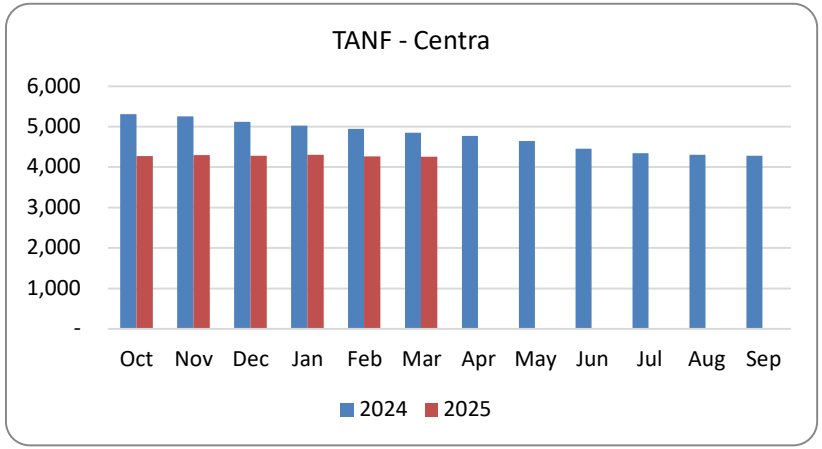
Northern Michigan Regional Entity

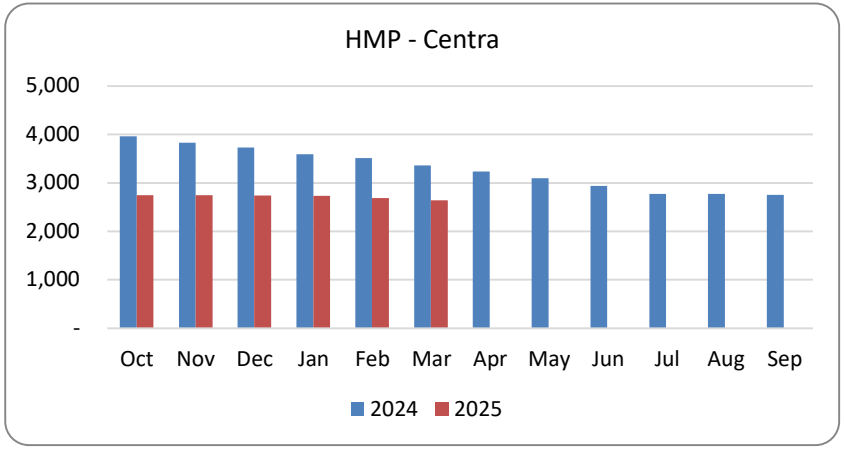
Narrative

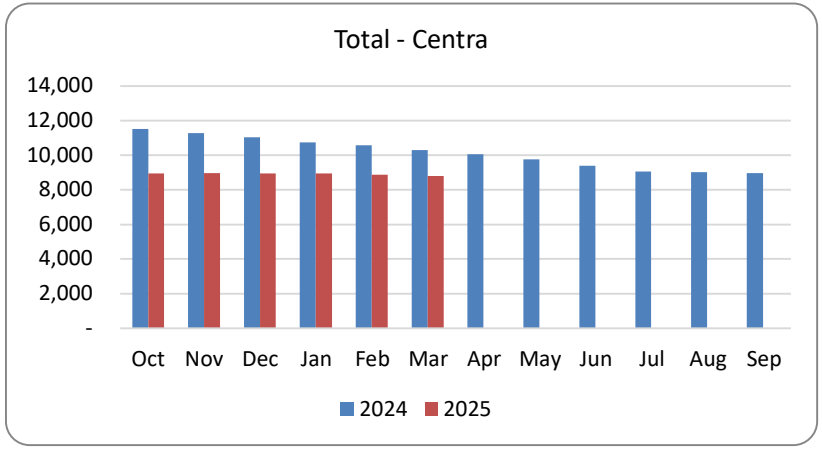
October 1, 2024 through March 31, 2025

Centra Wellness Eligible Members Trending - based on payment files







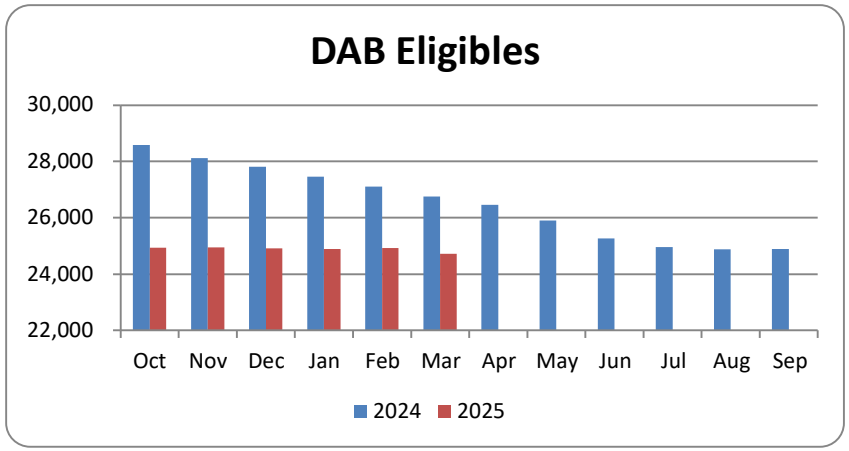


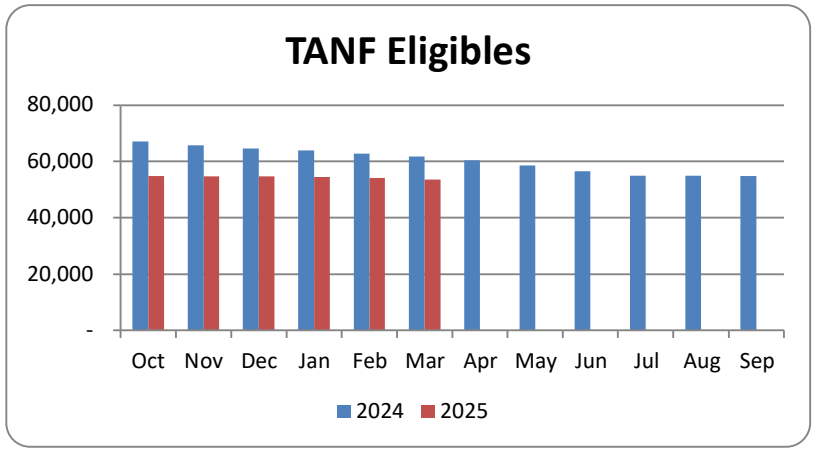
Northern Michigan Regional Entity

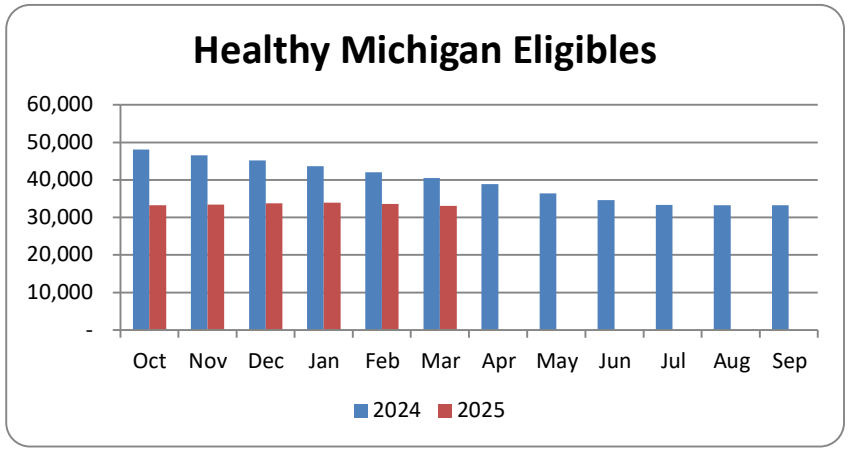
Narrative

October 1, 2024 through March 31, 2025

Regional Eligible Trending





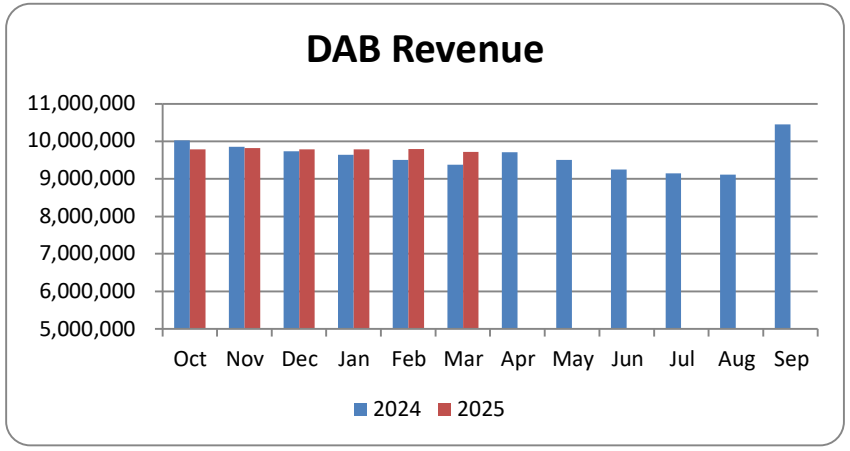


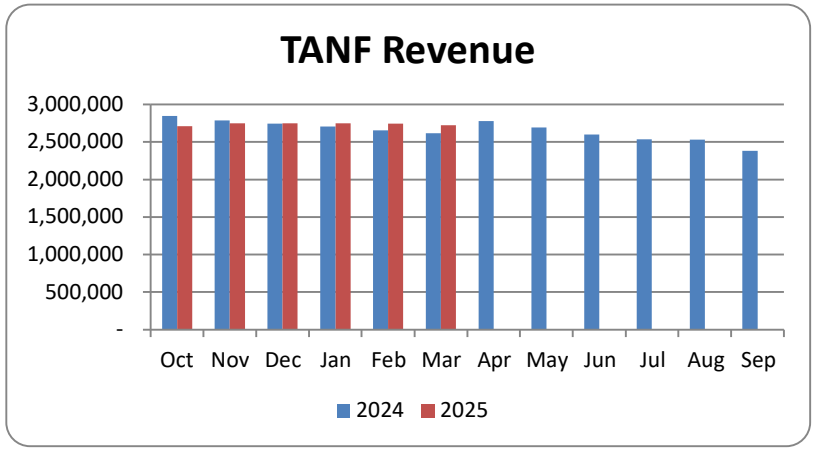
Northern Michigan Regional Entity

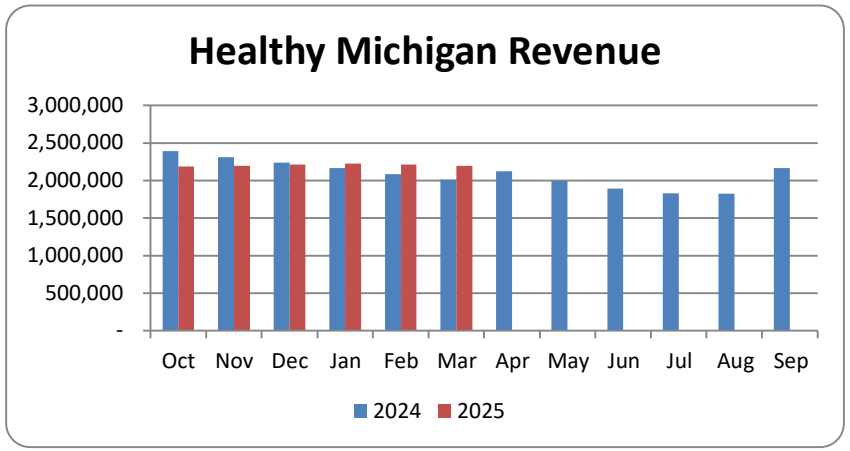
Narrative

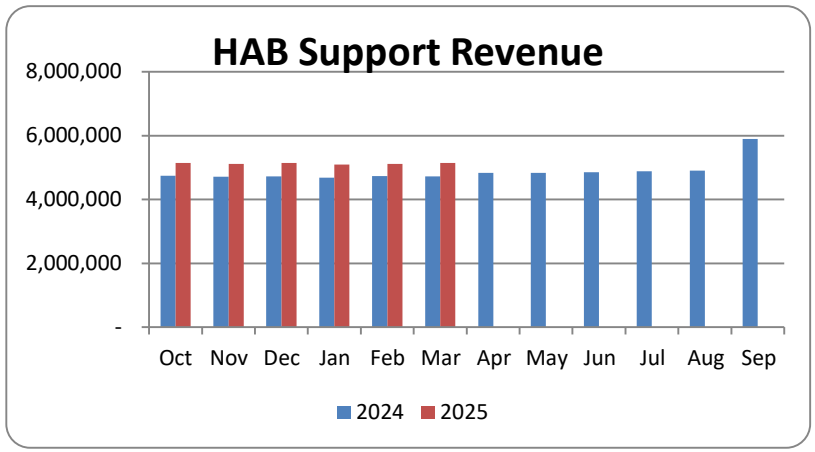
October 1, 2024 through March 31, 2025

Regional Revenue Trending









NORTHERN MICHIGAN REGIONAL ENTITY
OPERATIONS COMMITTEE MEETING
9:30AM – MAY 13, 2025
GAYLORD CONFERENCE ROOM

ATTENDEES:	**Brian Babbitt, Chip Johnston, Eric Kurtz, Brian Martinus, Diane Pelts, Nena Sork, Carol Balousek**

REVIEW OF AGENDA AND ADDITIONS

Ms. Pelts requested that the Michigan Central Registry be added to the meeting agenda. Mr. Kurtz added CCBHC Payment Process to the meeting agenda.

APPROVAL OF PREVIOUS MINUTES

The minutes from April 15th were included in the meeting materials.

MOTION BY DIANE PELTS TO APPROVE THE APRIL 15, 2025 MINUTES OF THE NORTHERN MICHIGAN REGIONAL ENTITY OPERATIONS COMMITTEE; SUPPORT BY CHIP JOHNSTON. MOTION CARRIED.

FINANCE COMMITTEE AND RELATED

Mach 2025 Financial Report

- Net Position showed a net deficit for Medicaid and HMP of $823,262. Carry forward was reported as $736,656. The total Medicaid and HMP Current Year surplus was reported as $1,559,918. The total Medicaid and HMP Internal Service Fund was reported as $20,576,156. The total Medicaid and HMP net surplus was reported as $22,136,074.
- Traditional Medicaid showed $105,664,242 in revenue, and $103,225,423 in expenses, resulting in a net surplus of $2,438,819. Medicaid ISF was reported as $13,514,675 based on the current FSR. Medicaid Savings was reported as $0.
- Healthy Michigan Plan showed $13,276,682 in revenue, and $14,892,239 in expenses, resulting in a net deficit of $1,615,557. HMP ISF was reported as $7,068,394 based on the current FSR. HMP savings was reported as $736,656.
- Health Home showed $1,690,492 in revenue, and $1,336,532 in expenses, resulting in a net surplus of $353,960.
- SUD showed all funding source revenue of $14,356,224 and $11,138,267 in expenses, resulting in a net surplus of $3,217,957. Total PA2 funds were reported as $4,970,104.

The CMHSPs' total Medicaid and Healthy Michigan Plan (HMP) current year surpluses/(deficits) were provided as:

	Centra Wellness	North Country	Northeast MI	Northern Lakes	Wellvance
Medicaid	$315,464	($489,999)	$31,232	($1,657,938)	$1,241,405
HMP	($345,744)	($273,357)	($130,841)	($1,933,412)	($241,349)
Total	($30,280)	($763,356)	($99,610)	($3,591,350)	$1,000,055

MOTION BY NENA SORK TO RECOMMEND APPROVAL OF THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR MARCH 2025; SUPPORT BY CHIP JOHNSTON. MOTION APPROVED.

HAB Waiver Payments
There was no update on this topic provided during the meeting.

FY25 Revenue/Expenditure Outlook
An analysis of November 2023 – April 2025 Revenue and Eligibles was included in meeting materials for informational purposes. Current monthly revenue is 11.74% higher than in November 2023, although it was noted that the April payment included retroactive HSW payments (about half of which were attributed to FY24). Mr. Kurtz reported that Milliman is considering a mid-year revenue adjustment for FY25.

COST CONTAINMENT PLANS
Mr. Kurtz received Cost Containment plans from the five CMHSPs by the May 1st due date. He is confident that the strategies identified will positively affect the region's financial outlook. It was noted Northern Lakes' plan has not received Board approval; however, approval is expected during the May 15th Board meeting.

PIHP BID OUT
Objections to the PIHP bid out are focusing on the fact that the CMHSPs created Regional Entities under the Mental Health Code and that Regional Entities are the payors for their regions. Mr. Johnston stressed the need to engage counsel to be ready to file if/when a bid out moves forward.

MOTON BY NENA SORK TO ENGAGE ATTORNEY CHRIS COOKE TO REVIEW THE POTENTIAL PREPAID INPATIENT HEALTH PLAN BID OUT, MENTAL HEALTH FRAMEWORK, AND CERTIFIED COMMUNITY BEHAVIORAL HEALTH CLINIC'S TAKING MENTAL HEALTH CODE BEHAVIORAL HEALTH MEDICAID TO SUPPLEMENT THE PROSPECTIVE PAYMENT SYSTEM; SUPPORT BY BRIAN BABBITT. MOTION CARRIED.

Ms. Sork agreed to reach out to council.

PARITY SURVEY
The NMRE is required to complete a survey to measure compliance with the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) requirements and the parity rule. The survey covers non-quantitative treatment limitations, quantitative treatment limitations, and financial requirements in:

- Authorization
- Care Coordination
- Progressive Therapy/Step Therapy
- Provider Network, Credentialing and Contracting
- Medication Prescribing and Monitoring
- Financial Requirements
- Disclosure Requirements

The survey is due to MDHHS on June 20th.

FEDERAL MEDICAID CUTS

Mr. Kurtz acknowledged that potential cuts to Medicaid at the federal level are difficult to predict. Because the federal government contributes a percentage of Medicaid costs to states, it is likely that these matching programs will be looked at. With the reduction in Healthy Michigan beneficiaries due to redeterminations, the 90% funding percentage could be reduced, putting a greater financial burden on the state.

A webinar took place on May 7th, led by Mehan Groen, Chief Deputy Director for Health Services at MDHHS, to address how potential federal cuts to Medicaid funding could impact Michigan residents, providers, and community partners.

MENTAL HEALTH FRAMEWORK

The Department is aligning changes to MHP payment responsibility for intensive MH services under the MHF with the FY27 PIHP procurement.

	FY26 Plan Activities	**FY27 Plan Activities**
Standardize Assessment	Launch Standardized Assessment of MH Need, with MHP and PIHP network MH providers utilizing LOCUS and MichiCANS, including enforcement of existing assessment policies and expansion to new providers	Partner with MDHHS to Refine Standardized Assessment Process, with expanded assessment information informing MH payer responsibility
Coordinate Care	Standardize Referral Process across MHP and PIHP Delivery Systems, including use of CC360 to facilitate and monitor referrals between CMHs, other MH providers, and PCPs	Partner with MDHHS to Refine Standardized Referral Process Collaborate with Plan Partners on Shared Metrics, in alignment with PIHP procurement objectives
Clarify MH Coverage Responsibility	Partner with MDHHS on Testing, Refining and Implementing a new MHF Benefit Plan that will identify MHP or PIHP responsibility for an enrollee's MH care	Cover MH Services Based on New MHF Benefit Plan, informed by clear pathways identifying MH needs
Align MH Coverage Responsibility	Develop Networks for New Intensive MH Services to be covered by MHPs starting FY27 Broaden Networks for Existing Services to enable coverage of range of MH services for enrollees based on MHF Benefit Plan	MHPs Newly Cover Intensive MH Services for CHCP enrollees with **lower** levels of MH need PIHPs Cover All MH Services Across Settings for CHCP enrollees with **higher** levels of MH need

Mr. Kurtz referred to the proposed Mental Health Framework as a very complicated, complex issue.

CCI USAGE (GREAT LAKES-HEARTLAND)

The Children's Division at MDHHS has determined that, because of HCBS rules, Child Caring Institutions (CCI) cannot be used for children with Medicaid. According to an April 1, 2025 revision to the Michigan Medicaid provider Manual:

> "Medicaid does not cover services provided to children with serious emotional disturbance in Child Caring Institutions (CCI) unless it is licensed as a 'children's therapeutic group home' as defined in Section 722.111 Sec.1(f) under Act No. 116 of the Public Acts of 1973, as amended, or it is for the purpose of transitioning a child out of an institutional setting (CCI). Medicaid may also be used for the purpose of transitioning a child out of a State Hospital. For both the CCI and State Hospital, the following mental health services initiated by the PIHP (the child needs to be open to the PIHP/CMHSP) may be provided within the designated timeframes:
>
> - The assessment of a child's eligibility and needs for the purpose of determining the community-based services necessary to transition the child out of a CCI or State Hospital. This should occur up to 180 days prior to the anticipated discharge from a CCI or State Hospital.
> - Intensive Care Coordination with Wraparound (ICCW) planning, case management or supports coordination. This should occur up to 180 days prior to discharge from a CCI or State Hospital."

It was noted that every children's crisis residential facility is licensed as a CCI.

AUTISM RATE IMPLEMENTATION

Ms. Pelts stressed that no additional funding has been received to fully implement the $66/hour rate established by the state (roughly $30K short). Both North Country and Wellvance paid up to the amount of funding that was received. Northeast Michigan and Northern Lakes fully implemented the enhanced rate. Centra Wellness provides services by direct staff.

NLCMHA UPDATE

A special meeting of the Norther Lakes Board of Directors has been scheduled for July 11th to approve the hiring of a permanent CEO. Northern Lakes' current deficit and anticipated cost containment efforts were discussed previously.

CCBHC RATE

Mr. Kurtz reported that the state may be moving to a payment system whereby it pays the CCBHCs directly rather than paying through their contracted PIHPs. MDHHS utilizes the prospective payment system (PPS) methodology, a Federally Qualified Health Center (FQHC) like PPS rate that provides reimbursement of the expected cost of providing core CCBHC services on a daily basis.

MICHIGAN CENTRAL REGISTRY

Wellvance staff requested information about Michigan's Central Registry as it was mentioned in the October 1st HSW renewal. NMRE staff confirmed that Central Registry (CR) checks are

required for each new employee, subcontractor, subcontractor employee, or volunteer (including students and interns) who work directly with children under the MDHHS-PIHP Contract.

The Central Registry is a database maintained by MDHHS that tracks confirmed cases of certain child abuse and neglect types, including those involving methamphetamine production, serious abuse or neglect, sexual abuse, or sexual exploitation. Confirmed cases are classified as central registry cases.

Mr. Kurtz agreed to seek further guidance and place the topic on the June Operations Committee agenda.

OTHER

Ms. Pelts noted that, with cancelations and limiting trainings to 20 individuals, the CMHSPs are having difficulty getting staff the required Crisis Professional training offered by MDHHS and Wayne State University.

Ms. Sork noted that CMHSP staff is supporting contractors who are having difficulty completing the EVV.

NMRE is moving ahead with the purchase of the MCG's Indicia PCE Interface. Although the NMRE will hold the contract, the CMHSPs will need to execute Business Associate Agreements.

NEXT MEETING

The next meeting was scheduled for June 17th at 9:30AM.

Centra Wellness Network
a/k/a
Manistee-Benzie CMH
Cost containment plan FY 2025 & 2026

In reviewing our recent efforts to manage our expenses within our PMPM, we have made the following adjustments this fiscal year (2025):

Staff Reductions include:

- Access Clinician – program operation changes
- Behavioral Technician – postpone pending supervisor BCBA certification to expand enrollments
- Community Skills Trainer – case load adjustments
- Community Skills Trainer – case load adjustments
- Safenet Specialist – replaced with 31N grant funded position

In addition, we have made the following changes to our ABA program:

- Move to clinic with a lower lease payment and more appropriate facility accommodations
- Education expenses reduction as supervisor achieves BCBA certification
- Contract reduction due to supervisor certification as BCBA.

We will continue to monitor eligibility enrollments.

- Finance runs a monthly report to identify any changes in benefit plan and follows up for verification
- Finance works with case managers to review Medicaid renewal approvals and appropriate benefit plan and assists with any issues with our local DHS office
- Clinical supervisor is reviewing all HMP services to confirm service authorizations are appropriate for this benefit

We continue to have challenges with residential and inpatient services. We continue to assess inpatient authorizations daily to ensure discharge planning is a priority and are increasing the use of the regional Crisis Residential Unit.

We continue to review residential services and adjust services as clients stabilize and are in the mist of a Request for Quote (RFQ)

We have reviewed all residential clients for home help eligibility and have adjusted residential contracts accordingly if they qualify for this benefit.

We will continue to be diligent in reviewing budget, staffing and program structure to ensure we are incorporating efficiencies whenever there is an opportunity to improve.

NORTH COUNTRY
COMMUNITY MENTAL HEALTH

Balanced Budget Initiative

NCCMH Board of Directors Meeting

April 17, 2025

Brian Babbitt

Current Assessment

- No PE/PM revenue increase projected in FY25
  - PHE unwind is reducing eligibles resulting in flat Medicaid funding
  - Only funding variable is in Hab Support Waiver and Behavioral Health Home
  - No mid-year adjustment by MDHHS is anticipated
- Inflationary pressures remain high increasing cost of providing services
- FY24 final FSRs NMRE carry forward to 750K
- NCCMH projected a Medicaid deficit of 7M in FY25
- FY25 4 of 5 Region 2 CMHSPs are projecting deficits which in aggregate is significant enough to require the entire Internal Service Fund
- The 5 Region 2 CMHSPs have agreed to establish plans to balance individual CMHSP budgets by the end of FY26
- Wildcard - uncertainty at the Federal level

NORTH COUNTRY
COMMUNITY MENTAL HEALTH

FY25 Budget Initiatives

- Recoup FY24 Hab Waiver Payments – (600K)
- Increased Hab Waiver Slots & Proper Medicaid Categories – (500k+)
- Approved program changes – (889K)
- Internal Salary/Benefits – (614K)
- Utilization Management – (207k)
- Review and negotiate existing contracts
  - Out of catchment
  - Administrative
  - Professional Clinical Services
- Projected shortfall reduced by 5M to projected Medicaid overspend of 2M in FY25

Summary

- Balanced budget initiatives result in projected 5M reduction in Medicaid overspend
- Projected Medicaid overspend is now approximately $2M
- Additional FY26 initiatives of 2M have been identified
  - more extreme in nature
  - more impact on services
  - will determine need implement as FY26 picture materializes
- We remain committed to maintaining service levels and fiscal responsibility

NORTH COUNTRY
COMMUNITY MENTAL HEALTH

THANK YOU

NORTHEAST MICHIGAN COMMUNITY MENTAL HEALTH AUTHORITY

NeMCMHA FY 2025 & 2026
18-month Cost Containment Plan

NeMCMHA has completed an analysis of the root cause of our deficit and it has been determined that the current deficit exists because of a lack of revenue payments, primarily our HABS Waiver payments. Our expenses are on track within our budget, with 50% of the year completed expenses are 50.7%, even though statewide there has been a 30% increase in inpatient hospitalization costs and 70% increase in specialized residential costs.

Significant underfunding is the primary reason for our deficit. These funding issues by MDHHS include, but are not limited to, funding falling well below appropriated levels, flat funding not keeping up with inflation, and Medicaid rates not accurately offsetting the disenrollment rates. This trend of underfunding, along with the skyrocketing medical and residential costs, remains a threat to the public behavioral health system.

In addition to the payment issues for the HABS support waiver individuals receiving services, many enrollees we are serving are slotted into the incorrect Medicaid bucket. We have had a significant reduction of individuals that were identified for years as DABS. They have been moved to another Medicaid Health Plan, such as Family First or Healthy Michigan Plan (HMP). Some individuals lost the Medicaid DAC designation. We are working diligently to resolve these issues with DHS and continue to work with NMRE staff to recoup these payments.

We will continue to make good faith efforts to contain costs, recoup missing payments, and reduce our deficit. I have outlined below our current efforts and ongoing plan to reduce our deficit and contain our costs in order to operate within our PM/PM funding.

Closing of Group Home

We will close one home in Alcona County, our Harrisville Home (H) and expand our license from 6 beds to 8 beds at the Mill Creek Home (MC) in the same county. We will shift staff from H to MC which will reduce overtime and shift incentive payments in both homes.

Savings for fixed monthly expenses is $36,138.72
Overtime Annual Savings $270,695.16
Cost reduction total is $306,833.88

Overtime Costs

We are going to begin using existing scheduling software in our system to develop electronic schedules for group home staff. This will allow for more administrative management and approval for overtime. In addition, it will help reduce overtime costs by managing the tendency of supervisors to overstaff a home.

Inpatient Hospitalization LOS

We continue to assess inpatient authorizations daily to ensure discharge planning is a priority. Last fiscal year our adult stays were 6 days, and between January and April we have reduced that average by 1 day to a 5-day average. Child stays are at the national average of 7 days.

This fiscal year we are 14% below budget for Contract Inpatient with a cost reduction of $234,134 and a projected annual reduction of $351,201.

We are increasing the use of the regional crisis residential units for adults. Our length of stay is 6 days – well within the national averages. We are slightly above the average stay for children in a crisis residential unit, however, the number of children that we are able to place in a crisis unit is very low.

Monitor and Report on Revenue not being received for HABS/DABS/Medicaid/Medicaid- DAC/HMP

Admin runs a monthly report to monitor and manage individuals who have lost their Medicaid, been put into the wrong Medicaid bucket, or are not meeting their monthly spend down. We work with our DFA, guardians, individuals served, and case managers to assist clients with Medicaid applications, turning in receipts for spend downs, reassuring they are in the correct Medicaid group (DAC, DABS, TANF), and managing assets with MiABLE accounts etc. We have received retro payments and will continue to monitor and assist individuals with managing their Medicaid eligibility status.

We continue to review Medicaid renewal approvals and appropriate benefit plans and assist with any issues with our local DHS office and our DFA.

Finance is monitoring missing HABS Waiver payments and has so far has been able to recoup $238,406.00. We are anticipating an additional payment of $43,898.21 from last fiscal year. This fiscal year we have not received $53,284.70.

Staff Positions Frozen/Reductions:

We have put a hold on filling 24 open positions to further contain costs during the remainder of the fiscal year. These reductions are projected to save the agency approximately $272,634 for the remainder of FY2025, which would be an annualized savings of approximately $545,268.

Management of High-Cost Residential Outside of Catchment

Our Placement Committee makes every attempt to keep people within our region (Olmstead Act) and to manage people at the appropriate level of care, however, there are cases that require a more specialized behavioral management AFC Home. We continue to review residential services and adjust services as clients stabilize. The Placement Committee monitors and manages individuals served to ensure they are residing in the least restrictive level of care and the goal is to return them back to the region and into our service area.

Travel/Conferences/Training and other Discretionary Spending

Managers are reviewing discretionary spending to look for further opportunities to contain costs within or below current program budgets.

Northern Lakes
COMMUNITY MENTAL HEALTH AUTHORITY

Balanced Budget Initiative
May 1, 2025

Balanced Budget Initiative

Objective: Develop a balanced budget that includes financial framework for sustainable operations and stability.

Cost Control:

- *Identify Cost-Saving Opportunities:* Pinpoint areas where expenses can be reduced without compromising quality or efficiency.
- *Review and Optimize Resource Allocation:* Allocate resources effectively to maximize value and minimize waste.

Financial Planning*:*

- *Set Realistic Financial Goals:* Establish achievable revenue and expenses.
- *Prepare for Contingencies:* Build reserves to address unexpected expenses or changes in revenue.

Performance Monitoring:

- *Track Financial Results:* Regularly monitor income and expenses to ensure they align with the budget.
- *Adjust as Needed:* Make necessary adjustments to the budget based on performance data and changing circumstances.

Key Targets: Identify areas where cost reductions will be focused while at the same time maintaining all required consumer services.

Expected Outcomes: A balanced budget will be submitted to NMRE for FY 26.

Assessment of Reductions Needed

Northern Lakes COMMUNITY MENTAL HEALTH AUTHORITY

- The FY 24 independent rate model published by Milliman was utilized to benchmark our service costs for FY 24. Initial savings estimates are based on closing the gap between actual costs and the benchmark by 50%, potentially resulting in expense reductions of approximately $9 million.
- Throughout this process, it is anticipated that 30 full-time equivalents (FTEs) will be impacted.
- The value of Internal Services listed include the direct service component and the administrative overhead. It is expected that one-third of the savings will need to come from direct expenses, while the remaining two-thirds will be derived from administrative expenses to meet the goals.

Category	Variance from Independent Rate Model	Reduce by 50%
Internal Services		
Residential	$ 1.2M	$ 600K
Case Management	$ 3M	$ 1.5M
Clubhouse / Day Programs	$ 1.M	$ 600K
Outpatient	$ 1.2M	$ 600K
Psych Services	$ 0.900K	$ 450K
Crisis	$ 4M	$ 2M
Behavioral Health Home	TBD - est	$ 150K
PT/OT/ST	TBD - est	$ 75K
Child/Fam - Wrap	TBD - est	$ 75K
		$ 6.05M
Contract PR/Marketing	TBD - est	$ 90K
Administrative support	TBD - est	$ 50K
Transportation	TBD - est	$ 20K
Staff Development	TBD - est	$ 90K
External Services		
Residential		$ 1M
Day Programs/ Supported Employ		$ 25K
Other Contracts		$ 1M
		$ 8.73M

Projected Timeline & Detailed Tasks

Northern Lakes CMH 18-Month Cost Reduction Implementation Plan							
Actions and Deliverables	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Monthly FY 26
Perform a review of each service/functional area and identify activities that may not be required under the Mental Health Code nor funded within the PIHP/CMHSP contract	x						
Establish a listing of employee positions	x						
Identify billable versus non-billable or admin support positions	x						
Rank the priority of the mission for each position	x						
Prepare a productivity assessment of each service department	x						
Consider face-to-face minutes as the primary productivity indicators Establish an assumption for admin time for each code as applicable	x						
Perform benchmarking of productivity achieved by each service unit	x						
Based upon consumer authorizations, estimate the minimum number of staff required to serve consumers	x						
Utilization Management: Perform a review of all high-cost consumers and verify all aspects of service plan are required and being delivered as cost effectively as possible	x						
Utilization Management: Perform a review of consumers who may not be fully participating in services; assess whether the consumer should be closed out until they are willing to fully participate	x						
Establish a listing of all network provider contracts Perform a comparison of the provider rates to the independent rate model and identify significant outliers	x						
Compile all existing technology contracts, including software licenses, hardware leases, service agreements, and maintenance contracts Establish a priority for each contract/payment Look for opportunities to consolidate services or products to achieve better pricing and terms	x						
Establish a listing of all non-provider contracts and recurring payments Establish a priority for each contract/payment Look for opportunities to consolidate services or products to achieve better pricing and terms	x						
Develop detailed cost reduction strategies, targets, and milestones for each identified area Discuss preliminary ideas with Board during April meetings	x						
Create FY 25 Year End Projection to confirm spending pattern variances from adopted budget	x						
Identify areas to process map	x						

Projected Timeline & Detailed Tasks (cont.)

Northern Lakes CMH 18-Month Cost Reduction Implementation Plan							
Actions and Deliverables	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Monthly FY 26
Communicate the Cost Reduction Plan to all relevant parties Provide Preliminary Cost Reduction Plan to NMRE - May 1 Update Board on the final submission		x					
Begin implementation of Cost Reduction Plan elements		x					
Allocate resources and assign responsibility for plan		x					
Begin process mapping activities		x					
Process mapping to continue			x				
Begin FY 26 Budget Development using Zero Based Approach Incorporate and project Cost Reduction Strategies			x				
Continue FY 26 Budget Development using Zero Based Approach				x			
Finalize FY 26 Budget Development using Zero Based Approach					x		
Seek Board approval					x		
Cost reduction team to meet and review status of targets and milestones for the month Update the plan as needed Expand cost reduction initiatives to additional areas Optimize processes and workflows for greater efficiency			x	x	x	x	x

Northern Lakes
COMMUNITY MENTAL HEALTH AUTHORITY

- Thank you

M E M O R A N D U M

To: Board of Directors

From: Erinn Trask, Chief Financial Officer

Date: April 15, 2025

Subject: Cost Containment Plan

In response to continued rising costs and Medicaid revenue not keeping pace, Wellvance, like the other CMHSP's in our region, is preparing a Cost Containment Plan. As of February 28, 2025, Wellvance was the only CMHSP within the region showing a surplus in Medicaid revenue over expenditures. In order to preserve our financial position, PQI has begun meeting and reviewing key metrics to identify areas for containing costs. The main categories we are reviewing include:

- **Provider Network Expenses –** We are reviewing the cost of services being delivered by our provider network to identify where:
  - Wellvance's cost is higher than the regional average for the same service.
  - Wellvance's cost is higher than budgeted and varies significantly from prior year(s).
  - Utilization has increased significantly from prior year.

  Some preliminary results from this review have identified:
  - Out of the 43 different services that Wellvance contracts for, there are 19 where we are above the regional average, and of those 17 where we have the highest cost within the region. Upon further review of these high-cost services, several rates are outside of Wellvance's control (Inpatient and Crisis Residential at Alpine CRU set by the NMRE). Further, 5 of these services were contracted exclusively with other CMHSP's via a COFR agreement, with high rates from Bay Arenac CMH, Northeast Michigan CMH, and Macomb CMH. For those services under a COFR arrangement, Wellvance will be reviewing the cost for providing the service internally (if possible), compared to the COFR CMHSP cost and reducing or eliminating COFR agreements for clients residing outside of Wellvance's catchment, if significant savings are possible.

ASPIRE to Excellence® carf ACCREDITED

Tawas City
1199 W. Harris Ave.
Tawas City, MI 48764
Phone: 989-362-8636

West Branch
511 Griffin Rd.
West Branch, MI 48661
Phone: 989-345-5571

Oscoda
5805 Cedar Lake Rd.
Oscoda, MI 48750
Phone: 989-739-1469

Mio
42 N. Mt. Tom Rd.
Mio, MI 48647
Phone: 989-826-3208

- Wellvance has the highest average rate per unit for inpatient services, and our inpatient services have increased significantly during 2024 and again into 2025. We are examining our referral patterns to hospitals, taking into consideration the rate per unit of each hospital. We are also reviewing our average length of stay, which the NMRE will also be taking a more detailed review of as well.
- Wellvance has the highest average rate per unit for AFC services; however, we make up less than 3% of the total contracted AFC services within the region. We will continue to monitor our cost per unit and work on provider rate negotiations, but our overall cost for AFC services is below average for the region. We are examining which clients are residing in an AFC setting to determine if a move to unlicensed residential or a community based placement would be appropriate.
- Wellvance has the highest average rate per unit for Supported Employment services. Management has begun discussions about seeking a new provider for this service, due to the high cost as well as the quality of the service being provided. We plan to issue an Request for Proposals within the next several months, in order to reduce the cost as well as improve the quality of these services.
- ABA Behavioral Treatment (97153) – We have seen a significant increase in utilization of these services. Further, there is a State mandated rate increase to raise this rate from our current rate of $14.68/unit to $16.50/unit (or $66.00/hour), effective November 1, 2025. MDHHS did provide a revenue increase to cover the cost of the increase. However, for the period from November – January the funding allocated to Wellvance only totaled $31,565.41. Wellvance's actual cost to provide this increase for the same time period totals $43,635.11, which would result in a deficit of $12,069.70 for that time period, or a projected annualized deficit of $44,256. As this is a mandated increase, Wellvance cannot reduce costs in this area.

- **Direct Run Services –** We are reviewing the cost of the services being provided directly by Wellvance staff, compared to the cost of the same services being provided directly by other CMHSPs within our region as well as our own cost from prior years. Some initial observations we are following up on include:
  - Out of the 40 services that Wellvance provides directly, there were only 2 were Wellvance had the highest cost in the region and only 8 where we were above the regional average.

- With the implementation of a dedicated Crisis Team, and the new requirements for staff credentials to provide those services, Wellvance has seen an increase in our crisis services cost but a decrease in utilization, with Inpatient Screenings and Crisis Intervention services decreasing from 622 and 238 units, respectively, in 2023 to 557 and 226 units, respectively, in 2024. Wellvance is reviewing how these staff are coding their time, to more accurately capture time being spent on non-crisis activities such as utilization management reviews.
- We are reducing our use of contracted outpatient services with a targeted reduction from 10 to 5 therapists, bringing those cases back into our directly employed therapists which is decreasing our overall cost of outpatient services.
- We are continuing to exam various other services with increase in cost over prior year or where the cost is above the regional average for opportunities to improve.

- **Staffing Costs –** We have reviewed and updated our salary projections based on the year-to-date payroll costs. Current projections are for staffing costs to come in approximately $300,000 less than budgeted, primarily due to staff vacancies during the first half of the year and management of overtime costs. Further, leadership has reviewed various staffing incentives and stipend payments that staff received and reduced the incentives back to pre-pandemic levels to further contain costs during the remainder of the fiscal year. These reductions are projected to save the agency approximately $76,000 for the remainder of FY2025, which would be an annualized savings of approximately $182,000.

- **Discretionary Spending –** Managers are reviewing discretionary spending to look for further opportunities to contain costs within or below approved budgets.

Diane Pelts, Chief Executive Officer, has communicated with All Staff regarding the region's financial position, making them aware of the reviews being performed and instructing everyone to be mindful of spending and making cost conscious decisions.

NORTHERN MICHIGAN REGIONAL ENTITY
SUBSTANCE USE DISORDER OVERSIGHT COMMITTEE MEETING
10:00AM – MAY 5, 2025
GAYLORD CONFERENCE ROOM & MICROSOFT TEAMS

Alcona	☒ Carolyn Brummund	**Kalkaska**	☐ David Comai
Alpena	☐ Lucille Bray	**Leelanau**	☐ Vacant
Antrim	☒ Pam Singer	**Manistee**	☐ Vacant
Benzie	☒ Tim Markey	**Missaukee**	☐ Dean Smallegan
Charlevoix	☒ Anne Marie Conway	**Montmorency**	☒ Michelle Hamlin
Cheboygan	☒ John Wallace	**Ogemaw**	☒ Ron Quackenbush
Crawford	☒ Matthew Moeller	**Oscoda**	☒ Chuck Varner
Emmet	☐ Terry Newton	**Otsego**	☒ Doug Johnson
Grand Traverse	☒ Dave Freedman	**Presque Isle**	☒ Dana Labar
Iosco	☒ Jay O'Farrell	**Roscommon**	☒ Darlene Sensor
		Wexford	☒ Gary Taylor

Staff	☒ Bea Arsenov	Chief Clinical Officer
	☒ Jodie Balhorn	Prevention Coordinator
	☒ Carol Balousek	Executive Administrator
	☒ Lisa Hartley	Claims Assistant
	☒ Eric Kurtz	Chief Executive Officer
	☐ Heidi McClenaghan	Quality Manager
	☒ Pamela Polom	Finance Specialist
	☐ Brandon Rhue	Chief Information Officer/Operations Director
	☒ Denise Switzer	Grant and Treatment Manager
	☐ Chris VanWagoner	Contract and Provider Network Manager
	☐ Deanna Yockey	Chief Financial Officer
Public	Samantha Borowiak, Lou Gamalski, Caitlin Koucky, Larry LaCross, Tom McHale	

CALL TO ORDER
Let the record show that Committee Vice-Chair, Jay O'Farrell, called the meeting to order at 10:00AM.

ROLL CALL
Let the record show that Lucille Bray, David Comai, and Dean Smallegan were absent for the meeting on this date; all other SUD Oversight Committee Members were in attendance either in Gaylord or virtually.

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

APPROVAL OF PAST MINUTES
The March minutes were included in the materials for the meeting on this date.

MOTION BY CAROLYN BURMMUND TO APPROVE THE MINUTES OF THE MARCH 3, 2025 NORTHERN MICHIGAN REGIONAL ENTITY SUBSTANCE USE DISORDER OVERSIGHT COMMITTEE MEETING; SUPPORT BY DAVE FREEDMAN. MOTION CARRIED.

APPROVAL OF AGENDA
Let the record show that no additions or revisions to the meeting Agenda were proposed.

MOTION BY RON QUACKENBUSY TO APPROVE THE AGENDA FOR THE MAY 5, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY SUBSTANCE USE DISORDER OVERSIGHT COMMITTEE; SUPPORT BY TERRY NEWTON. MOTION CARRIED.

ANNOUNCEMENTS
Let the record show that there were no announcements during the meeting on this date.

ACKNOWLEDGEMENT OF CONFLICT OF INTEREST
Let the record show that Mr. O'Farrell called for any conflicts of interest to any of the meeting agenda items; none were declared.

INFORMATIONAL REPORTS
FY24 Admissions Report
The admissions report through March 31, 2025 was included in the materials for the meeting on this date. Admissions were down 15.6% from the same period in FY24, likely due to individuals losing Medicaid and Healthy Michigan (HMP) after the resumption of redeterminations, particularly for individuals on Healthy Michigan (20% decline). The data showed that outpatient was the highest level of treatment admissions at 43%, and alcohol was the most prevalent primary substance at 59%, all opiates (including heroin) were the second most prevalent primary substance at 18%, and methamphetamine was the third most prevalent primary substances at 16%. It was noted that stimulant use has risen sharply throughout the 21-county region.

County-specific reports were posted to the NMRE website at County Admission Reports | NMRE. The county-specific reports are intended to be shared with Boards of Commissioners and other community stakeholders.

The NMRE is looking at in-region utilization of detox and residential beds. Of the 400+ beds in the 21-county region, only 20% are used by residents of the region.

Mr. Freedman expressed concern about the Medicaid funding stream given potential cuts tat the federal level. Mr. Kurtz responded that some discussion would take place under the "Financial Report."

Ms. Singer noticed CHS utilization has decreased. CHS President/Chief Executive Officer, Larry LaCross, responded that CHS is providing the same service it has in prior years. The reduction in admissions is likely attributable to Medicaid changes. He noted that the substance use in the region has not decreased.

Financial Report
All SUD funding through February 28, 2025, showed revenue of $11,854,303 and $9,175,155 in expenses, resulting in a net surplus of $2,679,148. Total PA2 funds were reported as $4,360,589.

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	$92,609	$497,251	$4,360,589

Mr. Kurtz acknowledged that federal issues (potential Medicaid cuts) are difficult to predict. It is likely that matching programs will be looked at. Numerous grant initiatives for startups are on the chopping block. The NMRE at the mercy of the state if/when any federal matching programs are hit. With the reduction in Healthy Michigan beneficiaries due to redeterminations, the 90% funding percentage may be reduced.

Mr. Newton asked about the announcement from the Department on February 28th that it is moving to a competitive procurement process for the state's Pre-Paid Inpatient Health Plan (PIHP) contracts. Mr. Kurtz responded that the details are still being worked out. He noted that there is very little competition in the rural north (PIHP Regions 1 and 2). The state's procurement also failed to mention SUD services.

Ms. Hamlin inquired about the NMRE's lawsuit with the State. Mr. Kurtz explained that an injunction and complaint was filed against the State of Michigan, State of Michigan Department of Health and Human Services, and Elizabeth Hertel by the law firm of Taft, Stettinius & Hollister, LLP on behalf of NorthCare network Mental Health Care Entity, Northern Michigan Regional Entity, Region 10 PIHP, and the CHM Partnership of Southeast Michigan. The suit stems from the fact that, although the plaintiffs signed modified versions of the FY25 Contract (striking out language related to the Waskul settlement, IFS capitation, and Certified Community Behavioral Health Clinics), the Department refused to counter-sign.

LIQUOR TAX PARAMETERS

The Liquor Tax funds parameters approved by the NMRE Board of Directors on April 24, 2024 were included in the meeting materials to inform the SUD Oversight Committee's decision whether to recommend approval of the liquor tax requests brought before the Committee on this date.

FY25 LIQUOR TAX REQUESTS

1. Charlevoix County Jail | Individual Counseling | Charlevoix | $21,000 | Continuation

   Meets PA2 Parameters? ☒ Yes ☐ No

MOTION BY TO ANNE MARIE CONWAY APPROVE THE REQUEST FROM THE CHARLEVOIX COUNTY JAIL FOR CHARLEVOIX COUNTY LIQUOR TAX DOLLARS IN THE AMOUNT OF TWENTY-ONE THOUSAND DOLLARS ($21,000.00) TO PROVIDE

INDIVIDUAL COUNSELING WITHIN THE JAIL; SUPPORT BY PAM SINGER. MOTION CARRIED.

2.	Community Recovery Alliance	Community Center and Peer Services	Emmet	$103,509	Continuation

Meets PA2 Parameters? ☒ Yes ☐ No

MOTION BY TERRY NEWTON TO APPROVE THE REQUEST FROM COMMUNITY RECOVERY ALLIANCE FOR EMMET COUNTY LIQUOR TAX DOLLARS IN AMOUNT OF ONE HUNDRED THREE THOUSAND FIVE HUNDRED NINE DOLLARS ($103,509.00) TO CONDUCT OUTREACH AND SUPPORT THE PETOSKEY COMMUNITY CENTER; SUPPORT BY JOHN WALLACE. MOTION CARRIED.

County Overviews
The impact of the liquor tax requests approved on this date on county fund balances was shown as:

	Projected FY25 Available Balance	Amount Approved May 5, 2025	Projected Remaining Balance
Charlevoix	$35,576.84	$21,000.00	$15,576.84
Emmet	$241,165.42	$103,509.00	$137,656.42
Total		**$124,509.00**	

The "Projected Remaining Balance" reflects funding available for projects while retaining a fund balance equivalent of one year's receivables.

PRESENTATION
The Importance of Multiple Pathways to Recovery
NMSAS Recovery Center's Peer Recovery Coach Coordinator, Tom McHale, was in attendance to discuss the importance of providing multiple pathways to recovery.

Mr. McHale reported that during his 36 years of uninterrupted sobriety and recovery advocacy, he has observed that there are two conditions present in people with sustained recovery: 1) they were able to create a meaningful life, and 2) they attach themselves to people, places, and things that reflect and reinforce their core beliefs.

Mr. McHale explained that 12-step programs are merely one path to recovery. The need to increase the number of groups under the "recovery umbrella" was stressed. Individuals should be encouraged to find pathways that align with their personal beliefs and values.

Tom thanked the NMRE SUD Oversight Committee for their support to the recovering community and asked that it consider advocating for multiple paths to recovery.

PUBLIC COMMENT
SUD Oversight Committee Members
Ms. Singer shared that she has been tracking the rising number of opioid deaths in Antrim County. She has spoken with Dr. Paul Wagner, the Medical Examiner for Antrim County and found that

opioid death data also includes suicides and deaths of Antrim County residents who died elsewhere. Reporting can also be very delayed due to the need to obtain a coroner's report.

Public
Caitlin Koucky, Executive Director for Community Recovery Alliance, thanked the NMRE and the SUD Oversight Committee Members for approving the liquor tax request for peer services. She noted that these services had previously been funded though the American Rescue Plan Act (ARPA) Covid grant which was terminated on April 1, 2025.

NEXT MEETING
The next meeting was scheduled for July 7, 2025 at 10:00AM.

ADJOURN
MOTION BY TERRY NEWTON TO ADJOURN THE MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY SUBSTANCE USE DISORDER OVERSIGHT COMMITTEE MEETING FOR MAY 5, 2025; SUPPORT BY JOHN WALLACE. MOTION CARRIED.

Let the record show that Mr. O'Farrell adjourned the meeting at 11:02AM.

PA2/Liquor Tax Criteria for Review/Adoption

- The NMRE will update projected end balances for each county for the current fiscal year monthly. New applications will be compared to projected end balances to ensure that there is adequate funding in the county to financially support the request.
- If possible, depending on SUD Block Grant usage, a balance equivalent to one year's revenue will remain as a fund balance for each county.
- Project requests for services that can be covered by routine funding from other sources (Medicaid, Healthy Michigan) will not be considered.
- Applications that include any purchase of or renovations to buildings, automobiles, or other capital investments* will not be considered.
- To be considered, applications must be for substance use disorder prevention, treatment, or recovery services or supports.
- Region-wide (21 county) requests should be limited to media requests; other region-wide requests will be evaluated on a case-by-case basis.
- Multi-county requests (2 or more) must include detailed information on the provision of services and/or project activities for each county from which funds are requested.
- Staff who receive staffing grants via liquor tax approvals will not be eligible to bill services to the NMRE.
- Budget Requirements:
  - Budgets must include information in all required fields.
  - Fringe benefit budget requests that exceed 30% should be broken out by Health, Dental, Vision, Retirement, taxes, etc. totals and be subject to NMRE staff and Board approval.
  - Indirect costs, when applicable, should **not** exceed 10% of the requested budget total.
  - Liquor tax funds may be used to cover up to one FTE (across all projects) per person.

    - The amount requested for salaries should be based on the staff person's actual salary and not the billable rate.
    - All staff participating in PA2 funded activities are to be listed under budget FTEs (not under indirect cost).
- Requests for liquor tax funds should be coordinated with area stakeholders (CMHSPs, SUD Oversight Committee Members, County Commissioners, courts, law enforcement, SUD services providers) whenever possible.
    - Requestor should inform the county of the request submission at the same time submission to NMRE is completed.

* "Capital.investment‹ .refers.to.funds.invested.in.a.company.or.enterprise.to.further.its.business objectives¡.Capital.investments.are.often.used.to.acquire.or.upgrade.physical.assets.such.as property?buildings?or.equipment.to.expand.or.improve.long_term.productivity.or.efficiency¡ (Source¿Nasdaq)

If at the end of the NMRE's fiscal year there is excess SUD Block Grant funding available, it will be used to offset liquor tax expenses as opposed to lapsing SUD Block Grant funding. In reverse, if SUD Block Grant funding runs a deficit, PA2 funding is used for treatment deficits. Normally for under or uninsured clients.

CHARLEVOIX COUNTY JAIL INDIVIDUAL COUNSELING - CONTINUING

Organization/Fiduciary:	**Charlevoix County Jail**
County:	**Charlevoix**
Project Total:	**$ 21,000**

DESCRIPTION:

By providing individuals in the County Jail with information about trauma and SUD in conjunction with a supportive environment, they can begin to recognize the patterns of choices they made as a result of trauma.

Meets Parameters for PA2 Funding:	Yes

County	Project	Requested Budget
Charlevoix	Charlevoix County Jail Individual Counseling	$21,000

CRA COMMUNITY CENTER AND PEER SERVICES - CONTINUING

Organization/Fiduciary:	**CRA**
County:	**Emmet**
Project Total:	**$103,509.00**

DESCRIPTION:

CRA is seeking PA2 funding to help with the funding gap left by the cancellation of existing ARPA contracts halfway through the project.

The project will support the CRA Community Center in Petoskey, as well as local outreach.

As a Recovery Community Organization and Center, Community Recovery Alliance (CRA) will continue to provide recovery support services in our new, expanded location in Petoskey, Michigan. Our mission is to serve anyone seeking recovery from substance use concerns, with or without mental health complications, by creating safe and healthy recovery friendly communities in northern Lower Michigan. We strive to build individual and community recovery capital by offering care and support outside formal treatment settings, at no cost, and within a welcoming environment. Our goal is to break down barriers to both seeking and sustaining recovery. This grant will cover the costs associated with Center operations and outreach, including staffing, program expenses, mileage, professional development, and facility costs for the Center portion of our building.

Meets Parameters for PA2 Funding:	Yes

County	Project	Requested Budget
Emmet	CRA Community Center and Peer Services	$103,509

FY2025

COMPLIANCE PROGRAM DESCRIPTION

and

WORKPLAN

Approved By	Date
Quality and Compliance Oversight Committee (QOC)	4/22/25
Internal Operations Committee (IOC)	4/16/25
Board of Directors	

Contents

I. INTRODUCTION

A. The NMRE is committed to establishing and maintaining an effective compliance program in accordance with the compliance program guidance published by the Office of Inspector General and the U.S. Department of Health and Human Services. The compliance program is about prevention, detection, collaboration, and enforcement of the law, requirements from regulatory bodies, contractual obligations, and NMRE's policies, procedures, and Standards of Conduct.

B. The Compliance Program:

1. Ensures that NMRE staff and partners adhere to all pertinent federal, state, and contractual obligations and guidelines.

2. Serves as a mechanism for preventing and reporting any breach of those laws and regulations that fall within specified criteria.

3. Applies the guidelines of the Office of Inspector General (OIG), requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), 42 CFR 438.608, 42 CFR Part 2, 2 CFR 200, and Title 45 CFR.

   An effective compliance program includes the following elements:

   a. Written policies, procedures, and standards of conduct.

   b. Compliance Program oversight.

   c. Effective training and education.

   d. Effective lines of communication.

   e. Well-publicized disciplinary guidelines.

   f. Internal and external monitoring and auditing activities.

   g. Prompt response to detected offenses and the development of corrective actions.

II. STRUCTURE OF THE COMPLIANCE PROGRAM

A. The NMRE Board of Directors: The NMRE's Board of Directors is responsible for the review and approval of the Compliance Plan, review of the Annual

Compliance Report, and review of matters related to the Compliance Program. The NMRE Board of Directors has the highest level of responsibility for the oversight of the Compliance Program.

B. Compliance Officer: The NMRE's Compliance Officer has the primary responsibility for ensuring that the NMRE maintains an effective Compliance Program. Specifically, the Compliance Officer oversees the implementation and effectiveness of the Compliance Plan, Standards of Conduct and other policies and procedures, and provides technical assistance to NMRE staff and the provider network. The Compliance Officer is responsible for the day-to-day operation of the Compliance Program.

C. The Quality and Compliance Oversight Committee (QOC): The NMRE regional Quality and Compliance Committee provides guidance, supervision, and coordination of compliance efforts at the NMRE and its partners. The QOC advises on matters involving compliance with contractual requirements and all related federal and state laws and regulations, including the Office of Inspector General guidelines and 42 CFR 438.608 and 42 CFR Part 2. The QOC is comprised of the NMRE's Chief Executive Officer, Chief Information Officer/Operations Director, Compliance Officer, Clinical Director, Customer Service Specialist, Quality Analyst, Provider Network Manager and representatives from all five member Community Mental Health Services Programs (CMHSPs). The Medical Director is an ad-hoc member of the committee.

III. ELEMENTS

A. Implementing Written Standards, Policies, and Procedures

Written Standards of Conduct and written policies and procedures are a central element of the Compliance Program. The Standards of Conduct demonstrates the NMRE's ethical attitude and its emphasis on compliance with all applicable laws and regulations. NMRE policies and procedures are living documents and provide guidelines on the day-to-day operations of the organization. Written policies and

procedures also ensure good quality of care as well as patient confidentiality and privacy. These compliance standards apply equally to ALL NMRE staff and partners. It is the responsibility of each employee to become familiar with the Standards of Conduct and the written policies and procedures that apply to their job duties.

B. Designating Compliance Oversight

1. The NMRE's Compliance Officer has the authority and responsibility to administer and manage all tasks related to establishing, monitoring, and updating the Compliance Program. To ensure success of the program, the Compliance Officer will:

    a. Have direct access to the Chief Executive Officer and the NMRE Board of Directors. This will ensure that a system of checks and balances is established to effectively achieve the goals of the Compliance Program.

    b. Coordinate and collaborate with NMRE leadership and NMRE partners to assess and mitigate risks, develop and implement policies and procedures, and develop and implement the Compliance Program.

    Methods used to ensure an effective Compliance Program include:

    i. Work with NMRE network providers and other partners to coordinate and implement compliance activities.

    ii. Analyze reports generated as part of the auditing and monitoring initiatives and other processes to identify trends and implement corrective actions.

    iii. Analyze all allegations of abuse, waste, or fraud and reporting requirements/process and providing notifications to MDHHS/Office of Inspector General (OIG), as necessary.

    iv. Act as the Special Investigative Unit (SIU) for investigations of fraud, waste, and abuse allegations.

    v. Review and analyze compliance activities and provider agencies via ongoing and annual contract monitoring processes.

c. Ensure that appropriate screening and evaluation checks are completed to eliminate sanctioned individuals and contractors from participating in the federal or state healthcare programs for the provision of items or services. This will include the following activities:

   i. Ensure NMRE complies with all requirements to obtain, maintain, disclose, and furnish required information about ownership and control interest, business transactions, and criminal convictions.

   ii. Ensure that all contracts, agreements, purchase orders, or leases to obtain space, supplies, equipment, or services provided with federal and state healthcare funds are compliant with applicable federal and state regulations.

   iii. Ensure that the NMRE and its partners comply with 42 USC 1320a-7(b), which imposes penalties for "arranging (by employment or otherwise) with an individual or entity that the person knows, or should know, is excluded from participation in a federal health care program for the provision of items or services for which payment may be made under such a program."

d. Take appropriate steps to confirm that an individual or provider has not been excluded pursuant to the NMRE Excluded Provider Screening Policy and Procedure prior to employment or contracting and monthly thereafter.

   i. Develop and implement an educational training program for NMRE staff and partners that furnish services to ensure understanding of federal and state laws and regulations involving ethical and legal business practices.

   ii. Investigate and act on matters related to compliance and privacy in an independent and confidential manner.

2. The NMRE Quality and Compliance Oversight Committee will be responsible to:

   a. Guide the implementation of the Compliance Program.

b. Assist with the implementation of compliance policies and procedures and the Standards of Conduct.

c. Encourage employees to raise concerns and report non-compliant issues including suspected fraud, waste, abuse, or inappropriate behavior without fear of retaliation.

C. Conducting Effective Training and Education

Education and training are the first and possibly the most important lines of defense of a Compliance Program. All NMRE staff and Board Members will receive training and have access to the NMRE Compliance Plan, compliance policies, and Standards of Conduct. Additional training may be required for employees involved in specific areas of risk, or as new regulations are issued. Records will be maintained on all formal training and educational activities for 10 years. The Compliance Officer will receive training from an appropriate source other than themself. Training is considered a condition of employment and failure to comply will result in disciplinary action up to and including termination. All employees will receive mandatory compliance training during the first 30 days of their employment and annually thereafter.

Educational activities include, but are not limited to, face-to-face training and online training in programs related to:

1. Federal and state regulations and guidelines
2. Contractual obligations
3. Policies, procedures, and the Standards of Conduct
4. Coding and billing requirements
5. False Claims Act implications including fraud, waste, and abuse

The Compliance Officer will provide ongoing information and education on matters related to healthcare fraud, waste, and abuse as disseminated by the Office of Inspector General, the Department of Health and Human Services, and other regulatory bodies.

It is the responsibility of NMRE staff to maintain licensures and certifications that are specific to their job responsibilities.

The NMRE Provider Network Management Committee will review and recommend regional training requirements to ensure consistent training requirements throughout the provider network. The NMRE will monitor the provider network to ensure adherence to the identified training requirements. When necessary, the NMRE will offer related compliance training and educational materials to the provider network.

D. Developing Effective Lines of Communication

There will be open communication between the Compliance Officer, The NMRE Board of Directors, the Quality and Compliance Oversight Committee, and all NMRE staff and partners. With open lines of communication, the potential for fraud, waste, and abuse is substantially reduced. Examples of ways to maintain lines of communication include:

1. Face-to-face with the Compliance Officer
2. Compliance Hotline: 866 789 5774 (can be anonymous or identified)
3. Compliance E-mail: compliancesupport@nmre.org
4. NMRE website: Compliance & Quality | NMRE
5. Mail to: 1999 Walden Drive, Gaylord, MI, 49735

Confidentiality and Non-Retaliation policies and procedures are in place and accessible to all employees to encourage the reporting of incidents of potential or suspected fraud, waste, or abuse in a safe environment without fear of retaliation.

All reported incidents will be documented and investigated promptly to determine validity.

Communication System

The Compliance Program's system for effective communication will include the following:

1. Require that all staff must report suspected misconduct, that a reasonable person acting in good faith would believe to be misconduct, without fear of retaliation.
2. Create a user-friendly process, such as the compliance hotline; where staff can anonymously and promptly report fraudulent, unethical, or erroneous conduct.
3. Enforce policies and procedures that state that failure to report fraudulent, unethical, or erroneous conduct is a violation of the Compliance Program.
4. Implement a simple and readily accessible procedure to investigate reports of fraudulent, unethical, or erroneous conduct.
5. Implement a process that maintains the confidentiality of the persons involved in alleged fraudulent, unethical, or erroneous conduct and the person making the allegation.
6. Enforce policies and procedures that guarantee that reporting conduct that a reasonable person, acting in good faith, would believe to be fraudulent, unethical, or erroneous will not be retaliated against.

E. Enforcing Standards through Well-Publicized Disciplinary Guidelines

The Standards of Conduct and NMRE policies and procedures apply to employees at all levels and NMRE partners. Enforcement applies regardless of the employee's position or years of service. Failure by any employee to comply with applicable regulations, NMRE's Standards of Conduct, or policies and procedures will subject the employee and the supervisor who ignored or failed to detect misconduct, or who has knowledge of the misconduct and failed to correct it, to disciplinary action that could range from verbal warnings to suspension, privilege revocation, or termination from employment, based on the seriousness and type of violation. The NMRE has the authority to take action that may be imposed on employees for failing to abide by the

Compliance Program.

F. Conducting Internal and External Monitoring and Auditing Activities

Auditing and monitoring activities are critical to a successful compliance program and should be an ongoing activity under the direction of the Compliance Officer. Auditing and monitoring is a key component of the annual review of the effectiveness of the Compliance Program. The auditing activities will focus on compliance with specific regulations and policies that have been identified by the Centers for Medicare & Medicaid Services (CMS), the OIG, and MDHHS-PIHP contractual obligations. The NMRE utilizes a variety of monitoring and auditing techniques including:

1. Periodic questionnaires, surveys, and interviews with staff within the NMRE, its member CMHSPS, and subcontracted providers regarding their perceived levels of compliance and the effectiveness of training/education within their departments and areas of responsibilities.
2. Periodic audits that comply with federal and state regulations, MDHHS-PIHP contractual obligations, and other guidelines.
3. Service verification audits.
4. Input from regional Compliance Officers.
5. Internal/external audit results for specific compliance guidelines.
6. Information from past investigations of noncompliance.
7. Information from exit interviews.

Quarterly Submissions to the OIG:

1. Grievance report
2. Data mining and analysis of paid claims
3. Audits performed
4. Overpayments collected

5. Identification and investigations of fraud, waste, and abuse
6. Corrective action plans implemented
7. Provider disenrollment
8. Contract termination

Reporting/Reviewing Compliance Data:

1. Quarterly reports of issues
2. Quarterly results of Medicaid service verification audits
3. Annual reviews of the Compliance Plan
4. Annual summaries of compliance activities, including the number of investigations, summaries of results of investigations, and summaries of disciplinary actions
5. Trend analysis that identifies deviations (positive or negative) in specific risk areas over a given period
6. Annual reports of Medicaid Encounter Verification (MEV)
7. Annual reports to MDHHS of MEV results
8. OIG 6.9 and 6.10 Annual Compliance Reports
9. Annual reports to MDHHS of compliance with annual training on the Deficit Reduction Act (DRA) from all network providers
10. Annual reports to the OIG of any non-compliance communication resulting in OIG involvement.

HIPAA Privacy and Information Security audits, such as:

1. Use and disclosure of protected health information (PHI),
2. Employee access to protected information
3. Validation and reliability of data,

4. Information security risk assessment,

5. Electronic and physical safeguards.

Clinical/Quality of Care, review of:

1. Performance indicators

2. Peer reviews

3. Chart reviews

4. Scope of work and qualification

Consumer rights review of:

1. Rights complaints and concerns

2. Consumer satisfaction survey

3. Rights Officers' responsibilities

4. Risk Events and Critical Incidents

5. Sentinel Events and Root Cause Analyses (RCA)

G. Responding to Detected Offenses, Developing Corrective Actions and Prevention.

According to the OIG, one of the seven essential elements for an effective Compliance Program is the investigation and remediation of identified systemic problems. If there should ever be a reason to believe that misconduct or wrongdoing has occurred, the organization must respond appropriately. The OIG notes that violations of the Compliance Program and other types of misconduct threaten an organization's status as a credible, honest, and trustworthy provider

capable of participating in federal healthcare programs. Detected but uncorrected misconduct can seriously endanger the mission, reputation, and legal status of the NMRE. The OIG calls for prompt reporting of misconduct to the appropriate authority within a reasonable period, but not more than 60 days after determination that credible evidence of a violation exists, and not more than 30 days to avoid stricter fines.

Audit and review follow-up are important parts of good management and evidence of an effective Compliance Program. To ensure that identified problems and/or weaknesses do not recur, it is essential that corrective action is taken.

Approval Signature

NMRE Chief Executive Officer Date

V. 2025 COMPLIANCE PROGRAM WORKPLAN

Goal 1: Strengthen the quarterly reporting elements to the OIG.

Objective 1: Run at least one data mining scenario and complete at least one audit per six months.

Objective 2: Ensure that each Community Mental Health Services Program (CMHSP) will complete one data mining scenario and one regular audit per six months as well.

Objective 3: Provide necessary feedback to CMHSPs to create a stronger compliance program.

Goal 2: Provide deeper review of trends discovered during the Medicaid Encounter Verification (MEV).

Objective 1: Work closely with designated staff to communicate any prevalent areas of concern during the MEV review.

Objective 2: Collaborate with the designated staff to open full audit investigations into MEV trends and concerns.

Objective 3: Issue Corrective Action Plans (CAP) as appropriate.

Goal 3: Strengthen compliance with Federal and State laws regarding Adverse Benefit Determinations (ABD) sent to beneficiaries of the NMRE region.

Objective 1: Provide region-wide training emphasizing Federal and State regulations to allow maximum compliance with the ABD standards.

Objective 2: Provide increased oversight of the CMHSPs, requiring each CMHSP to send five examples of an ABD each quarter the NMRE for review.

Objective 3: Provide feedback to each CMHSP to enhance compliance.

Goal 4: Update training material.

Objective 1: Update the Compliance and Ethics training and the HIPAA Information Security and Awareness training materials to include recommendation from the Health Services Advisory Group (HSAG) during the 2024 Compliance review.

Objective 2: Provide staff training on the updated materials.

Goal 5: Create new policies and procedures, if needed, and update some existing policies to ensure the effectiveness of the Compliance Program.

Objective 1: Create new policies and update some existing policies and procedures to include recommendations from HSAG during the 2024 Compliance review.

Objective 2: Provide staff training on the new and updated materials.

Objective 3: Provide updated policies to network providers, staff, and website.

Northern Michigan Regional Entity

Financial Statements
September 30, 2024

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Members of the Board
Northern Michigan Regional Entity
Gaylord, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Michigan Regional Entity (the PIHP), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the PIHP's basic financial statements as listed in the table of contents.

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 PIHP, as of September 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PIHP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PIHP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PIHP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PIHP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 22, 2025, on our consideration of the PIHP'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 PIHP'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 PIHP's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

April 22, 2025

Northern Michigan Regional Entity
Statement of Net Position
September 30, 2024

	Enterprise Funds			Internal Service Fund	Total
	Mental Health Operating	Substance Use Disorder	Total Enterprise Funds	Medicaid Risk Reserve	Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	$ 49,911,235	$ 4,724,694	$ 54,635,929	$ 20,583,069	$ 75,218,998
Due from affiliates	2,420,082	-	2,420,082	-	2,420,082
Due from State of Michigan	6,874,100	1,547,487	8,421,587	-	8,421,587
Due from other governmental units	-	635,826	635,826	-	635,826
Prepaid expenses	53,521	-	53,521	-	53,521
Other assets	83,919	-	83,919	-	83,919
Total current assets	59,342,857	6,908,007	66,250,864	20,583,069	86,833,933
Noncurrent assets					
Capital assets being depreciated, net	479,259	-	479,259	-	479,259
Total noncurrent assets	479,259	-	479,259	-	479,259
Total assets	59,822,116	6,908,007	66,730,123	20,583,069	87,313,192
			Prior year total assets		87,524,717
Liabilities					
Current liabilities					
Accounts payable	16,496,217	1,620,219	18,116,436	-	18,116,436
Accrued payroll and related liabilities	137,822	-	137,822	-	137,822
Due to affiliates	16,515,040	400,035	16,915,075	-	16,915,075
Due to State of Michigan	21,772,712	122,521	21,895,233	-	21,895,233
Unearned revenue	736,656	-	736,656	-	736,656
Compensated absences, due within one year	31,902	-	31,902	-	31,902
Direct borrowing, due within one year	113,241	-	113,241	-	113,241
Total current liabilities	55,803,590	2,142,775	57,946,365	-	57,946,365
Noncurrent liabilities					
Compensated absences, due beyond one year	180,775	-	180,775	-	180,775
Direct borrowing, due beyond one year	371,278	-	371,278	-	371,278
Total noncurrent liabilities	552,053	-	552,053	-	552,053
Total liabilities	56,355,643	2,142,775	58,498,418	-	58,498,418
			Prior year total liabilities		58,669,983
Net position					
Net investment in capital assets	(5,260)	-	(5,260)	-	(5,260)
Restricted for Substance use disorder	-	4,765,232	4,765,232	-	4,765,232
Restricted for Medicaid risk management	-	-	-	13,514,675	13,514,675
Restricted for Healthy Michigan risk management	-	-	-	7,068,394	7,068,394
Restricted for Performance Bonus Incentive Pool	2,215,632	-	2,215,632	-	2,215,632
Unrestricted	1,256,101	-	1,256,101	-	1,256,101
Total net position	$ 3,466,473	$ 4,765,232	$ 8,231,705	$ 20,583,069	$ 28,814,774
Prior year net position	3,058,070	5,220,508	8,278,578	20,576,156	28,854,734

The notes to the financial statements are an integral part of this statement.

Northern Michigan Regional Entity
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

	Enterprise Funds			Internal Service Fund	Total
	Mental Health Operating	Substance Use Disorder	Total Enterprise Funds	Medicaid Risk Reserve	Proprietary Funds
Operating revenues					
Medicaid	$ 204,063,355	$ 6,848,886	$ 210,912,241	$ -	$ 210,912,241
Healthy Michigan	28,380,428	11,019,326	39,399,754	-	39,399,754
Health Home	2,913,901	-	2,913,901	-	2,913,901
Opioid Health Home	-	3,588,066	3,588,066	-	3,588,066
State and federal grants	76,327	7,546,832	7,623,159	-	7,623,159
Local match from affiliates	594,816	-	594,816	-	594,816
Public Act 2	-	1,847,106	1,847,106	-	1,847,106
Performance bonus incentive pool	2,215,632	-	2,215,632	-	2,215,632
Other	81	-	81	-	81
Total operating revenues	238,244,540	30,850,216	269,094,756	-	269,094,756
			Prior year total operating revenues		257,447,775
Operating expenses					
PIHP administration	3,381,559	626,746	4,008,305	-	4,008,305
Depreciation	117,204	-	117,204	-	117,204
Hospital rate adjuster	8,869,720	-	8,869,720	-	8,869,720
Incentive payments	2,011,323	-	2,011,323	-	2,011,323
Local match payments	594,816	-	594,816	-	594,816
Taxes on services	2,001,873	143,502	2,145,375	-	2,145,375
Expenses for services					
Medicaid	199,198,375	4,439,846	203,638,221	-	203,638,221
Healthy Michigan	19,906,936	10,873,000	30,779,936	-	30,779,936
Crisis Residential Unit	928,318	-	928,318	-	928,318
Health Home	2,875,773	-	2,875,773	-	2,875,773
Opioid Health Home	-	3,464,796	3,464,796	-	3,464,796
SUD Block Grant	-	7,315,702	7,315,702	-	7,315,702
Public Act 2	-	2,302,383	2,302,383	-	2,302,383
Grants	76,327	-	76,327	-	76,327
Total operating expenses	239,962,224	29,165,975	269,128,199	-	269,128,199
Operating income (loss)	(1,717,684)	1,684,2	Prior year total operating expenses		253,017,076
Non-operating revenues (expenses)					
Interest income	-	-	-	6,913	6,913
Interest expense	(13,430)	-	(13,430)	-	(13,430)
Total non-operating revenues (expenses)	(13,430)	-	(13,430)	6,913	(6,517)
Income (loss) before transfers	(1,731,114)	1,684,241	(46,873)	6,913	(39,960)
Transfers					
Transfers in	2,139,517	-	2,139,517	-	2,139,517
Transfers out	-	(2,139,517)	(2,139,517)	-	(2,139,517)
Total transfers	2,139,517	(2,139,517)	-	-	-
Change in net position	408,403	(455,276)	(46,873)	6,913	(39,960)
Net position, beginning of year	3,058,070	5,220,50	Prior year change in net position		4,435,557
Net position, end of year	$ 3,466,473	$ 4,765,232	$ 8,231,705	$ 20,583,069	$ 28,814,774

The notes to the financial statements are an integral part of this statement.

Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank's failure, the PIHP's deposits may not be returned to it. The PIHP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The PIHP bank balance was $75,220,950 and $74,970,950 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

NOTE 3 - DUE FROM AFFILIATES

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

Description	Amount
Ausable Valley	1,965,233
North Country	15,941
Northeast	33,757
Northern Lakes	405,151
Total	2,420,082

NOTE 4 - DUE FROM STATE OF MICHIGAN

Due from State of Michigan as of September 30th consists of the following:

Description	Amount
ARPA - Prevention	33,885
ARPA - Treatment	133,129
BG - Prevention	176,103
BG - SUD ADM	11,965
BG - Treatment	26,887
BG - WSS	43,006
COVID - Prevention	5,419
COVID - Treatment	202,837
CWP	6,506
DHIP	123,901
Gambling Prevention	98,570
HH	15,599
HRA - HMP	978,406
HRA - Medicaid	1,138,882
HSW	1,721,113
Medicaid	1,150,285
MIPAC	137,416
OHH	18,224
PBIP	1,736,972
PPW	40,336
SDA	45,264
SED	21,657
SOR 3	532,070
Tobacco	665
Veteran Navigator	22,490
Total	8,421,587

NOTE 7 - DUE TO AFFILIATES

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

Description	Amount
Centra Wellness	704,269
North Country CMH	3,653,656
Northeast CMH	1,410,219
Northern Lakes CMH	9,797,563
Wellvance (Ausable)	922,103
Behavioral Health Home	242,510
Opioid Health Home	100,836
Other	83,919
Total	16,915,075

NOTE 8 - DUE TO STATE OF MICHIGAN

Due to State of Michigan as of September 30th consists of the following:

Description	Amount
Medicaid Lapse	19,605,473
Medicaid	1,508,846
Other	780,914
Total	21,895,233

NOTE 9 - UNEARNED REVENUE

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

Description	Amount
HMP Savings	736,656

NOTE 10 – LONG-TERM LIABILITIES

Direct borrowings
The detail of direct borrowings for the fiscal year is as follows:

Description	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
1999 Walden Dr lease	586,848	3.00%	10/1/2028	484,519

The PIHP's outstanding loans from direct borrowings related to mental health operations contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The PIHP's coverage limits are $15,000,000 for liability.

Medicaid Risk Reserve
The PIHP covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The PIHP 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 PIHP has established a Medicaid Risk Reserve Fund, in accordance with Michigan Department of Health and Human Services guidelines, to assist in managing risk under the terms of its contract with the MDHHS.

NOTE 14 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the PIHP 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 PIHP expects such amounts, if any, to be immaterial.

NOTE 15 – ECONOMIC DEPENDENCE

The PIHP receives over 95% of its revenues from the State of Michigan either directly or indirectly from MDHHS.

NOTE 16 – TRANSFERS

The Substance Use Disorder Fund transferred $2,139,517 to Mental Health Operating Fund the during the year for the purpose of covering services to Medicaid and Healthy Michigan eligible consumers.

NOTE 17 – SUBSEQUENT EVENT

The Northern Michigan Regional Entity has contracted with Rehmann to review prior cost allocation practices for Northern Lakes Community Mental Health Authority for FY20 – FY23 (with the potential to extend to FY18 – FY19). This has the potential to impact the NMRE's Internal Service Fund (ISF) and Medicaid/Healthy Michigan Carry Forward for those fiscal years. The amount of the potential impact is not known as of the date of the opinion.

NOTE 18 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101*, Compensated Absences*, was issued by the GASB in June 2022 and will be effective for fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued by the GASB in December of 2023 and will be effective for fiscal year 2025. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure

have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

a. Management's discussion and analysis (MD&A);
    i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
        1) Overview of the Financial Statements,
        2) Financial Summary,
        3) Detailed Analyses,
        4) Significant Capital Asset and Long-Term Financing Activity,
        5) Currently Known Facts, Decisions, or Conditions;
    ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
    iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
    i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
    ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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
Northern Michigan Regional Entity
Gaylord, 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 Northern Michigan Regional Entity (the PIHP), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the PIHP's basic financial statements, and have issued our report thereon dated April 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PIHP's internal control over financial reporting (internal control) as a basis for designing 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 PIHP's internal control. Accordingly, we do not express an opinion on the effectiveness of the PIHP'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 PIHP'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PIHP'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 financial statements. 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 PIHP'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 PIHP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

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

April 22, 2025