

**NORTHERN MICHIGAN REGIONAL ENTITY
BOARD OF DIRECTORS MEETING
10:00AM – SEPTEMBER 24, 2025
GAYLORD BOARDROOM**

ATTENDEES: Bob Adrian, Dave Freedman, Ed Ginop, Ron Iseler, Gary Klacking, Dana Labar, Eric Lawson, Mary Marois, Michael Newman, Jay O'Farrell, Ruth Pilon, Don Smeltzer, Don Tanner, Chuck Varner

VIRTUAL

ATTENDEES: Karen Goodman

NMRE/CMHSP STAFF: Bea Arsenov, Brian Babbitt, Jodie Balhorn, Carol Balousek, Brady Barnhill, Eugene Branigan, Curt Cummins, Gail Grangood-Griffin, Lisa Hartley, Chip Johnston, Sue Kler, Eric Kurtz, Brian Martinus, Trish Otremba, Pamela Polom, Nena Sork, Denise Switzer, Chris VanWagoner, Tricia Wurn, Deanna Yockey

PUBLIC: Anonymous (3), Erin Barbus, Catherine Darrah, Ann Friend, Genevieve Groover, Kevin Hartley, Greg McMorrow, Tobias Neal, Lori Stendel, Lynda Zeller

CALL TO ORDER

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

ROLL CALL

Let the record show that all other NMRE Board Members were in attendance either in person or virtually.

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 TANNER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING AGENDA FOR SEPTEMBER 24, 2025; SUPPORT BY DAVE FREEDMAN. MOTION CARRIED.

APPROVAL OF PAST MINUTES

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

MOTION BY JAY O'FARRELL TO APPROVE THE MINUTES OF THE AUGUST 27, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY ED GINOP. MOTION CARRIED.

CORRESPONDENCE

- 1) An Action Alert from the Community Mental Health Association of Michigan (CMHAM) dated September 3, 2025, urging the public to reach out to legislators and the Governor and Lt. Governor to express concerns with the Michigan Department of Health and Human Services' (MDHHS) RFP procurement process for the state's PIHP contracts.
- 2) A poster supplied by CMHAM titled, "Bidding Out the Management of Michigan's Public Mental Health System: Myth vs. Fact."
- 3) An article from CMHAM dated August 29, 2025, praising the lawsuit filed by Region 10 PIHP, Southwest Michigan Behavioral Health, MidState Health Network, St. Clair County Community Mental Health Authority, Integrated Services of Kalamazoo, and Saginaw County Community Mental Health Authority to stop the PIHP bid process.
- 4) An Open Letter to the Governor and the State Legislature on behalf of coalition of advocates and stakeholders expressing "Deep concerns over bid-out of management of Michigan's public mental health system."
- 5) A list of mental health providers and systems opposed to the bid out of the management of state's public mental health system.
- 6) A press release from MDHHS dated September 9, 2025, declaring September Substance Use Disorder Recovery Month.
- 7) The draft minutes of the September 10, 2025, regional Finance Committee meeting.

Mr. Kurtz drew attention to the numerous correspondence items related to the bid out of the PIHPs by MDHHS.

ANNOUNCEMENTS

Let the record show that new Board Member, Ron Iseler, representing Nort Country Community Mental Health Authority was introduced.

PUBLIC COMMENT

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

REPORTS

Executive Committee Report

The Executive Committee met at 9:15AM on this date to review the FY25 NMRE CEO Evaluation. A full report will be given under "New Business."

CEO Report

The NMRE CEO Monthly Report for September 2025 was included in the materials for the meeting on this date. Mr. Kurtz highlighted his attendance at the Great Lakes Rural Mental Health Association (GLRMHA) Conference on September 8th & 9th; he noted that the NMRE and its member CMHSPs have been invited to join GLRMA, an association formed by the CMHSPs located in the Upper Peninsula to address the needs, resources, and challenges of the rural northern region.

July 2025 Financial Report

- Net Position showed a net surplus for Medicaid and HMP of \$5,947,042. Carry forward was reported as \$736,656. The total Medicaid and HMP current year surplus was reported as \$6,683,698. FY24 HSW revenue was reported as \$1,289,241. The total Medicaid and HMP adjusted current year surplus was reported as \$5,394,457. The total Medicaid and HMP Internal Service Fund was reported as \$20,576,156. The total Medicaid and HMP net surplus was reported as \$27,259,854.
- Traditional Medicaid showed \$188,587,274 in revenue, and \$180,305,927 in expenses, resulting in a net surplus of \$8,281,347. Medicaid ISF was reported as \$13,514,675 based on the current FSR. Medicaid Savings was reported as \$0.
- Healthy Michigan Plan showed \$25,253,970 in revenue, and \$27,588,276 in expenses, resulting in a net deficit of \$2,334,306. HMP ISF was reported as \$7,068,394 based on the current FSR. HMP savings was reported as \$736,656.
- Health Home showed \$2,719,756 in revenue, and \$2,133,025 in expenses, resulting in a net surplus of \$586,731.
- SUD showed all funding source revenue of \$24,167,453 and \$18,698,782 in expenses, resulting in a net surplus of \$5,468,672. Total PA2 funds were reported as \$4,211,377.

PA2/Liquor Tax was summarized as follows:

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

Actual FY25 Activity			
Beginning Balance	Current Receipts	Current Expenditures	Current Ending Balance
\$4,765,231	\$835,755	\$1,389,609	\$4,211,377

The impact from the extra revenue (from Amendment 3 of the PIHP Contract) is helping to lower previous deficits. Medicaid has maintained a surplus, while HMP has maintained a deficit. This is likely to continue through FY26. It was noted that four of the five member CMHSPs are currently in a surplus position.

MOTION BY CHUCK VARNER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR JULY 2025; SUPPORT BY MARY MAROIS. MOTION CARRIED.

Operations Committee Report

The draft minutes from September 16, 2025, were included in the materials for the meeting on this date. In October 2021 the regional Operations Committee passed a motion to allow the NMRE to financially support the creation of an adult crisis residential unit in the region at a cost of up to two million dollars (\$2,000,000.00) over two years. The facility opened in Gaylord in March of 2023 and received CMS certification in December of 2023. In August 2023, the regional Operations Committee passed a motion allowing the NMRE to fund the facility on a 1/12th payment arrangement through August 31, 2024. In August 2024, the regional Operations Committee passed a motion to extend the payment arrangement through August 31, 2025. Mr. Kurtz noted that the NMRE will be transitioning out of the funding arrangement. The CMHSPs will be paying the facility on a fee-for-service basis at a rate of \$800.

NMRE SUD Oversight Committee Report

The draft minutes from September 8, 2025, were included in the materials for the meeting on this date. Liquor tax requests will be discussed under "New Business."

NEW BUSINESS

FY26 Liquor Tax Requests

The following liquor tax requests were recommended for approval by the NMRE Substance Use Disorder Oversight Committee on September 8, 2025.

	Requesting Entity	Project	County	Amount
1.	217 Recovery	Recovery Stories: Message of Hope Series	Grand Traverse	\$16,500
2.	BASES	Charlevoix County Jail Group Counseling	Charlevoix	\$22,000
3.	Catholic Human Services	Montmorency Students Leading Students Prevention Program	Montmorency	\$31,769
4.	Catholic Human Services	Presque Isle Students Leading Students Prevention Program	Presque Isle	\$67,483
5.	Catholic Human Services	Roscommon County Drug Free Coalition	Roscommon	\$116,748
6.	Catholic Human Services	Wexford County Jail SUD Program	Wexford	\$20,000
7.	Centra Wellness Network	Benzie Area Youth (BAY) Initiative	Benzie	\$15,500
8.	Health Department of Northwest Michigan	Michigan Profile for Health Youth (MIPHY) Incentive for Schools	Alcona, Alpena, Antrim, Charlevoix, Cheboygan, Emmet, Grand Traverse, Kalkaska, Leelanau, Montmorency, Oscoda, Otsego, Presque Isle	\$52,500
9.	Health Department of Northwest Michigan	Drug Free Northern Michigan 21-County Alliance	All 21 Counties	\$60,000
10.	Sunrise Centre	Building and Enhancing Recovery Capital in Northeast Michigan	Alpena, Alcona, Montmorency, Oscoda, Presque Isle	\$74,665

MOTION BY DAVE FREEDMAN TO APPROVE THE FISCAL YEAR 2026 LIQUOR TAX REQUESTS RECOMMENDED BY THE NORTHERN MICHIGAN REGIONAL ENTITY SUBSTANCE USE DISORDER OVERSIGHT COMMITTEE ON SEPTEMBER 8, 2025 IN THE TOTAL AMOUNT OF THREE HUNDRED SIXTY-SIX THOUSAND THREE HUNDRED SEVENTEEN DOLLARS (\$366,317.00); SUPPORT BY MARY MAROIS.

Discussion: Mr. Lawson asked about the expenses for the request from 217 Recovery for the Recovery Stories: Message of Hope Series. He noted that \$9,000 was requested for food and

catering and an additional \$3,600 for printing, decorations, drinks and desserts. Mr. Lawson asked for assurance that the event involves more than supplying food. Mr. Freedman disclosed that he works with 217 Recovery on these events, which are attended by approximately 150 people including children and families of individuals in recovery. Mr. Freedman called it a "valuable community service." It was also noted that the request is for three sessions so the cost per session is \$5,500 (\$3,000 for food and \$1,200 for printing, decorations, drinks and desserts). Clarification was made that speakers do not receive a fee. NMRE staff verify billing against the project's budget.

ROLL CALL VOTING TOOK PLACE ON MR. FREEDMAN'S MOTION.

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

"Nay" Votes: Nil

Abstention: R. Iseler

MOTION CARRIED.

FY26 PIHP Contract

On September 10, 2025, the FY26 Contract was issued to the 10 PIHPs by the Bureau of Grants and Purchasing. Key changes include the elimination of Community Behavioral Health Clinics (CCBHC) language and the removal of Recovery Incentive Pool language (as those programs will no longer be funded through the PIHP), the addition of language to outline recovery and monthly reporting of provider overpayments, revised OIG reporting requirements, and the addition of a provision to require, upon Contract cancelation or expiration, that any funds remaining in the ISF, and all of the related claims and liabilities be returned to the state.

Mr. Kurtz noted that the FY26 Contract was released without negotiations. The NMRE intends to strike language related to the ISF as in the previous year and return a signed Contract to the Department. The NMRE will add the prior Contract language stating that any remaining ISF funds would be transferred to a successor agency.

Mr. Freedman asked what is included in the OIG reporting requirements. Mr. Kurtz responded that the PIHP is required to track overpayments, underpayments, questions about complaints, resolutions of grievances and appeals, suspicions of fraud, waste, and abuse, and data mining activities. The change to the contract requires the PIHP to report details of all overpayments identified, recovered, and adjusted monthly.

NMRE CEO Evaluation and Contract

The NMRE Executive Committee met earlier on this date to review the NMRE Chief Executive Officer FY25 Evaluation Report and contract terms. The FY25 CEO Evaluation Survey Report was distributed to Board members during the meeting. The decision was made to offer Mr. Kurtz a 2.5% cost of living adjustment (COLA) for FY26, which is the same amount that has been budgeted for NMRE staff; Ms. Yockey confirmed that both increases are included in the FY26 budget.

MOTION BY DON SMELTZER TO APPROVE A TWO AND A HALF PERCENT (2.5%) COST OF LIVING ADJUSTMENT TO THE NORTHERN MICHIGAN REGIONAL ENTITY CHIEF EXECUTIVE OFFICER’S SALARY FOR FISCAL YEAR 2026 CONTINGENT ON THE SAME PERCENTAGE FOR NORTHERN MICHIGAN REGIONAL ENTITY STAFF; SUPPORT BY JAY O’FARRELL. ROLL CALL VOTE.

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

“Nay” Votes: Nil

Abstention: R. Iseler

MOTION CARRIED.

FY26 NMRE Board Meeting Schedule

The proposed meeting schedule for fiscal year 2026 was included in the meeting materials. It was noted that the Board often opts to forego the November and December meetings as they conflict with the Thanksgiving and Christmas holidays and, instead, hold a combined meeting between the two dates. The decision was made to not hold a meeting in November and move the December meeting date to December 3, 2025.

MOTION BY ERIC LAWSON TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING SCHEDULE FOR FISCAL YEAR 2026; SUPPORT BY DON SMELTZER. MOTION CARRIED.

The FY26 meeting schedule will be posted on the NMRE website calendar.

OLD BUSINESS

Northern Lakes Lookback and Update

In follow-up to conversations that occurred during the August 13th Executive Committee meeting and August 27th Board meeting, Mr. Kurtz and Ms. Yockey met with Northern Lakes’ Board Chair Greg McMorrow, Medical Director and Interim CEO Curt Cummins, and Chief Financial Officer, Kevin Hartley on September 11, 2025 regarding the FY18 – FY22 cost misallocation lookback conducted by Rehmann and the close out of FY23 and FY24.

Based on findings from the Rehmann report, funds due to Northern Lakes for the cost settlement of fiscal years 2023 and 2024 are offset by what is owed to NMRE based on the Cost Misallocation Lookback. The net difference between the cost misallocation (\$11,164,302 owed to NMRE) and cost settlement (\$10,065,474 owed to Northern Lakes) is \$1,098,828 owed to NMRE from Northern Lakes.

During the Northern Lakes CMHA Board meeting on August 21st, however, the Board disagreed with Rehmann’s process of applying a weighted average percent of the questioned costs for fiscal in fiscal years 2018 and 2019. As a result, a motion by Northern Lakes CMHA was passed requesting that the 2018 and 2019 results be stricken pending review of the Rehmann assessment by Roslund, Prestage, and Co. The NLCMHA Board passed a second motion to deduct the amount owed to the NMRE for fiscal years 2018 and 2019 (\$4,139,139) from the findings and request \$3,040,311 from the NMRE. This request was reiterated by Mr. McMorrow during the meeting on September 11th.

Because the cost misallocation lookback was conducted at the request of the NMRE Board, Mr. Kurtz stressed that any decisions on the matter must be made by the Board.

Mr. Freedman reported that Northern Lakes is working diligently to “right the ship.” A balanced budget was passed for FY26, an offer will be made to hire Lynda Zeller as the new CEO, staff have been reduced, and senior management salaries have been cut. Mr. Freedman implored the Board to consider the request.

Mr. Kurtz clarified that Standard Cost Allocation principles have always been in place. The issue with Northern Lakes isn’t how costs were allocated within Medicaid; it is charging Medicaid for physical health through the Integrated Health Clinic, MIChoice program, or other grants. Administrative costs for these (non-Medicaid) programs or programs outside of the behavioral health shared risk contract, which is not allowed.

MOTION BY DAVE FREEDMAN TO PAY NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY THE DIFFERENCE BETWEEN THE FISCAL YEAR 2020 THROUGH 2022 COST MISALLOCATION CHARGES LESS THE FISCAL YEAR 2023 AND 2024 CLOSEOUT PAYMENTS DUE TO NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY IN THE AMOUNT OF THREE MILLION FORTY THOUSAND THREE HUNDRED ELEVEN DOLLARS (\$3,040,311.00) WITH THE UNDERSTANDING THAT NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY WILL NOT PURSUE ANY FURTHER REVIEW OF FISCAL YEARS 2018 THROUGH 2022; SUPPORTED BY DON SMELTZER.

Discussion: Mr. Tanner acknowledged that the Board previously moved to task Rehmann with conducting a five- to seven-year cost allocation lookback; he would like to see the job finished. It was noted that the information needed to complete the lookback for FY18 and FY19 is in Cadillac basement. Mr. Smeltzer stressed the need to weigh the cost of obtaining the information against the value of having the information. Mr. Adrian asked whether paying the \$1M owed to the NMRE would put Northern Lakes into a financial crisis. Mr. Freedman responded that the impact would be significant.

Mr. O’Farrell asked whether there is any assurance that passing Mr. Freedman’s motion will put the matter to rest. Mr. Kurtz responded that the State Audit Division has the final say and could request the findings for FY18 and FY19, but it is unlikely. Clarification was made that the state has a copy of the Rehmann forensic report.

ROLL CALL VOTING TOOK PLACE ON MR. FREEDMAN’S MOTION.

“Yea” Votes: R. Adrian, D. Freedman, G. Klacking, M. Marois, J. O’Farrell, R. Pilon, D. Smeltzer. C. Varner

“Nay” Votes: E. Ginop, D. Labar, E. Lawson, M. Newman, D. Tanner

Abstention: R. Iseler

MOTION CARRIED.

FY25 PIHP Contract Injunction and Complaint Update

The complaint filed by Taft, Stettinius & Hollister, LLP, on behalf of Northcare Network Mental Health Care Entity, Northern Michigan Regional Entity, Community Mental Health Partnership of

Southeast Michigan, and Region 10 PIHP (Plaintiffs) against the State of Michigan, State of Michigan Department of Health and Human Services, a Michigan State Agency, and its Director, Elizabeth Hertel, in her official capacity (Defendants) is currently in a waiting period pending the appointed judge’s decision.

A separate injunction related to the PIHP RFP was filed by Christopher Ryan (Taft, Stettinius & Hollister, LLP) in the Court of Claims on August 28, 2025 on behalf of Region 10 PIHP, Southwest Michigan Behavioral Health, Mid-State Health Network, St. Clair County Community Mental Health Authority, Integrated Services of Kalamazoo, And Saginaw County Community Mental Health Authority (Plaintiffs) against State of Michigan, State of Michigan Department of Health And Human Services, a Michigan State Agency, and State of Michigan Department of Technology, Management & Budget, a Michigan State Agency (Defendants). An evidentiary hearing has been scheduled for October 9, 2025, at which time a decision will be made on whether the injunction will move forward.

The NMRE, along with NorthCare Network CNHSPs, intend to move forward with an injunction filing of its own.

Clarification was made that the PIHP RFP is due October 13, 2025.

PRESENTATION

NMRE FY26 Budget

The NMRE’s proposed budget for FY26 was included in the meeting materials.

The total operating revenue for FY26 was projected as \$285,864,323, which represents a 4% increase from FY25. Total FY26 expenses were projected as \$ 277,275,713, which represents a 3.7% increase from FY25. The projected FY26 surplus was provided as \$1,530,487.

To calculate the PMPM projections, NMRE CFO, Deanna Yockey, took the YTD August PMPM and estimated September for FY25 annual PMPM. This figure was then added to the anticipated FY26 rate increase provided by draft Milliman rates. FY26 CMHSP funding was provided as:

Centra Wellness	North Country	Northeast MI	Northern Lakes	Wellvance
\$21,222,217	\$64,244,320	\$38,673,889	\$76,410,550	\$34,084,370

MOTION BY DON TANNER TO APPROVE THE PROPOSED NORTHERN MICHIGAN REGIONAL ENTITY FISCAL YEAR 2026 BUDGET, SUPPORT BY CHUCK VARNER. ROLL CALL VOTE.

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

“Nay” Votes: Nil

Abstention: R. Iseler

MOTION CARRIED.

COMMENTS

Board

- Ms. Marois asked what will happen if the State doesn't pass an approved budget by October 1, 2025. Mr. Kurtz responded that a continuation budget is likely.
- Ms. Marois voiced appreciation for the support that the NMRE Board has given to Northern Lakes CMHA and its Board. Mr. Lawson noted that although he voted against the motion to approve the \$3,040,311 payout to Northern Lakes, he still supports the organization and the Board.
- Mr. Freedman reported that Northern Lakes' Board voted to draft a letter to the Governor and Attorney General in opposition of the privatization of the PIHPs, with a copy sent to MDHHS. Leelanau County also passed a resolution opposing the same. Other counties are also receptive to passing similar resolutions.
- Mr. Tanner shared that he heard on the news that HIV infections are up 214% in northern Michigan, primarily due to intravenous drug use.
- Mr. Tanner relayed the story of a 19-year-old who escaped 8-year captivity in his parents' basement by walking into War Memorial. Reports state that there are other children in the home. The parents have not been located.

Staff/CMHSP CEOs

- NMRE staff thanked the Board for approving the 2.5% cost of living increase for NMRE staff that was included in the FY26 budget.
- Mr. Babbitt welcomed Lynda Zeller to the region.
- Mr. Johnston reported that Manistee County intends to enjoin the pending lawsuit on behalf of the region's CMHSPs.
- Ms. Otremba attended a recent CMHAM Legislative and Policy Committee meeting. Over 8,000 Call to Action letters have been sent to legislators, the Governor, and Lt. Governor opposing the PIHP bid out. CMHAM has revised, and is distributing, an advocacy video that has been effective in the past.

NEXT MEETING DATE

The next meeting of the NMRE Board of Directors was scheduled for 10:00AM on October 22, 2025.

ADJOURN

Let the record show that Mr. Klacking adjourned the meeting at 11:43AM.

MOTION BY CHUCK VARNER TO ADJOURN THE SEPTEMBER 24, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY ED GINOP. MOTION CARRIED.