

**NORTHERN MICHIGAN REGIONAL ENTITY  
BOARD OF DIRECTORS MEETING  
10:00AM – OCTOBER 22, 2025  
GAYLORD BOARDROOM**

<b>ATTENDEES:</b>	<b>Bob Adrian, Dave Freedman, Ed Ginop, Ron Iseman, Gary Klacking, Dana Labar, Eric Lawson, Michael Newman, Jay O’Farrell, Ruth Pilon, Don Smeltzer, Don Tanner, Chuck Varner</b>
<b>VIRTUAL ATTENDEES:</b>	<b>Karen Goodman</b>
<b>ABSENT:</b>	<b>Mary Marois</b>
<b>NMRE/CMHSP STAFF:</b>	<b>Bea Arsenov, Jodie Balhorn, Carol Balousek, Brady Barnhill, Eugene Branigan, Gail Grangood-Griffin, Lisa Hartley, Chip Johnston, Brooke Kleinert, Eric Kurtz, Brian Martinus, Brie Molaison, Trish Otremba, Pamela Polom, Nena Sork, Denise Switzer, Chris VanWagoner, Tricia Wurn, Deanna Yockey, Lynda Zeller</b>
<b>PUBLIC:</b>	<b>Anonymous (3), Erin Barbus, Genevieve Groover, Kevin Hartley, Terri Henderson, Bobbi Hudson, Rob Palmer, Justin Reed</b>

**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 Mary Marois was excused from the meeting on this date; 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 JAY O’FARRELL TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING AGENDA FOR OCTOBER 22, 2025; SUPPORT BY DON TANNER. MOTION CARRIED.**

**APPROVAL OF PAST MINUTES**

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

Mr. Smeltzer clarified a comment he made during the September meeting. The minutes will be updated accordingly.

**MOTION BY DON TANNER TO APPROVE THE MINUTES OF THE SEPTEMBER 25, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS AS AMENDED; SUPPORT BY RUTH PILON. MOTION CARRIED.**

CORRESPONDENCE

- 1) Email correspondence from Community Mental Health Association of Michigan (CMHA) Chief Executive Officer, Robert Sheehan dated September 19, 2025, to CEOs of CMHSPs, PIHPs, and Provider Alliance Members regarding proposed PIHP procurement boilerplate and emerging concepts for system redesign.
- 2) Article by Kara Berg from the Detroit News dated September 23, 2025, titled, "Privatizing State's Mental Health Services Is Meant to Aid Care. Critics Fear the Opposite."
- 3) Email correspondence from CMHA CEO Robert Sheehan dated September 25, 2025, to CEOs of CMHSPs, PIHPs, and Provider Alliance Members outlining the third leg of advocacy strategy against privatization: alternative system design components document.
- 4) Document from CMHA titled, "Recommended Components of a Redesigned Public Mental Health System In Michigan."
- 5) NMRE regional Performance Indicator report for Quarter 3 of fiscal year (FY) 2025.
- 6) Statewide PIHP Performance Indicator report for Quarter 3 of fiscal year (FY) 2025.
- 7) A memorandum from Belinda Hawks to PIHP Directors dated October 7, 2025, regarding HSW slot allocations for FY26.
- 8) NMRE Substance Use Disorder Grants Summary for FY26.
- 9) The draft minutes of the October 8, 2025, regional Finance Committee meeting.

Mr. Kurtz drew attention to the memorandum from Belinda Hawks regarding HSW slot allocations. The NMRE gained 14 slots (the most of any PIHP in the state) for a total of 711. If fully utilized, this equates to an additional \$1.1M in revenue for the region. Three of the additional slots have been filled. Additional packets have been requested from the CMHSPs.

Mr. Kurtz noted that the summary of NMRE's SUD grants for FY26, totaling \$2,073,766, was included for informational purposes.

ANNOUNCEMENTS

Let the record show that Northern Lakes CMHA CEO Lynda Zeller, was introduced. Mr. Freedman announced that Grand Traverse and Leelanau Counties have both passed resolutions opposing the PIHP bid out.

PUBLIC COMMENT

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

REPORTS

**Executive Committee Report**

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

## CEO Report

The NMRE CEO Monthly Report for October 2025 was included in the materials for the meeting on this date. Mr. Kurtz drew attention to the Court of Claims Hearing he attended on October 9<sup>th</sup> regarding the complaint filed by Region 10 PIHP and others related to the PIHP bid out. No decision has been made. A status conference has been scheduled for 1:00 on this date. This topic will be covered in greater detail under "Old Business."

## August 2025 Financial Report

- Net Position showed a net surplus for Medicaid and HMP of \$7,097,525. Carry forward was reported as \$447,383. The total Medicaid and HMP current year surplus was reported as \$7,544,908. FY24 HSW revenue was reported as \$1,289,241. The total Medicaid and HMP adjusted current year surplus was reported as \$6,255,667. The total Medicaid and HMP Internal Service Fund was reported as \$20,576,156. The total Medicaid and HMP net surplus was reported as \$28,121,064.
- Traditional Medicaid showed \$209,643,258 in revenue, and \$199,756,038 in expenses, resulting in a net surplus of \$9,887,220. Medicaid ISF was reported as \$13,514,675 based on the current FSR. Medicaid Savings was reported as \$0.
- Healthy Michigan Plan showed \$27,757,971 in revenue, and \$30,547,666 in expenses, resulting in a net deficit of \$2,789,695. HMP ISF was reported as \$7,068,394 based on the current FSR. HMP savings was reported as \$736,656.
- Health Home showed \$2,967,387 in revenue, and \$2,481,752 in expenses, resulting in a net surplus of \$485,635.
- SUD showed all funding source revenue of \$26,964,463 and \$21,636,400 in expenses, resulting in a net surplus of \$5,328,063. Total PA2 funds were reported as \$3,894,705.

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	\$1,706,281	\$3,894,705

As of August, the NMRE has a \$6M surplus for FY25 which is unlikely to change with the September report. FY25 revenue increased by approximately 10% over FY24 revenue.

Mr. Kurtz received informal notice that Quarter 3 FY25 PA2 revenues were directed to debt services, meaning that neither the PIHPs nor the counties received a PA2 payment in July 2025. Mr. Kurtz recommended that County Administrators be made aware of the lack of Q3 payments as the funds were likely budgeted. For FY25, PA2 was estimated at \$1, 847,231. This number will be reduced, though it was acknowledged that the quarterly payments are not equal. The NMRE continues to maintain a fund balance equivalent to one year's revenue for each county.

The NMRE has approximately \$1M in SUD BGF overage for FY25, which will be utilized toward allowable FY25 PA2 projects.

Mr. Freedman asked whether the federal shutdown has any effect the flow of funds to the NMRE. Mr. Kurtz responded that it should have little or no impact at this time.

**MOTION BY DON SMELTZER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR AUGUST 2025; SUPPORT BY DAVE FREEDMAN. MOTION CARRIED.**

**Operations Committee Report**

The draft minutes from October 21, 2025, were distributed during the meeting on this date. Much of the meeting focused on the legal actions being taken in response to the PIHP bid out.

**NMRE SUD Oversight Committee Report**

Let the record show that the next meeting of the NMRE Substance Use Disorder (SUD) Oversight Committee is scheduled for November 3, 2025, at 10:00AM.

NEW BUSINESS

**PA 152 Opt Out**

A document dated March 25, 2025, from Rachael Eubanks, Michigan State Treasurer titled, "Public Employer Contributions to Medical Benefit Plans Annual Cost Limitations for Fiscal Year 2026" was included in the materials for the meeting on this date, as was a legal opinion on Public Act 152 from Steve Burnham to Chip Johnston dated October 12, 2011.

Public Act 152, the Publicly Funded Health Insurance Contribution Act, created a law that limits the amount that public employers pay toward employee medical benefit plans, effective January 1, 2012. Although the NMRE is not over the 80% cap currently, Mr. Kurtz asked the Board for permission to opt out of the Act. It was noted that a two-thirds vote of the governing body is needed to opt out.

**MOTION BY CHUCK VARNER TO ALLOW THE NORTHERN MICHIGAN REGIONAL ENTITY TO COMPLY WITH PUBLIC ACT 152 OF 2011, THE PUBLICLY FUNDED HEALTH INSURANCE CONTRIBUTION ACT, BY ADOPTING THE ANNUAL EXEMPTION OPTION FOR THE MEDICAL BENEFIT PLAN COVERAGE FOR JANUARY 1, 2026, THROUGH DECEMBER 31, 2026; SUPPORT BY DON TANNER. ROLL CALL VOTE.**

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

**"Nay" Votes:** Nil

**MOTION CARRIED.**

OLD BUSINESS

**Northern Lakes Lookback and Update**

During the NMRE Board meeting on September 24, 2025, Northern Lakes Board Members requested a payment from the NMRE in the amount of \$3,040,311. This is difference between the amount the NMRE owes Northern Lakes for the cost settlement of fiscal years 2023 and 2024 and the amount owed to the NMRE for the cost misallocation lookback, excluding fiscal years 2018 and 2019.

The NMRE Board voted to grant the request with the condition that Northern Lakes CMHA not pursue any further review of fiscal years 2018 through 2022.

During its meeting on October 16, 2025, the Northern Lakes Board passed a motion acknowledging the cost settlement motion passed by the NMRE Board and affirming the Board's intent to have Roslund, Prestage, and Co. (RPC) complete a review of fiscal years 2020, 2021, and 2022 as moved by the Board on August 25, 2025. Mr. Freedman clarified that the vote by the Northern Lakes Board was unanimous.

Because the NMRE must do its due diligence regarding Medicaid funding, this leaves two options: 1) stand by the Rehmann findings, or 2) request that Rehmann complete the five- to seven-year cost allocation lookback (without extrapolated findings for fiscal years 2018 and 2019). Mr. Kurtz emphasized that it is the Board's decision to make. The cost to have Rehmann complete the cost misallocation lookback for fiscal years 2028 and 2019 would be approximately \$100K.

Mr. Tanner asked whether the Northern Lakes Board will challenge the findings by Rehmann for fiscal years 2018 and 2019. Mr. Freedman responded that those two fiscal years are closed and there is no need to go back. Mr. Kurtz clarified that all five years remain open due to the lookback. Also, depending on finding where Medicaid was misallocated or any other findings that occurred after a fiscal year is closed, any of the fiscal years can be reopened with the state.

**MOTION BY DON TANNER TO AUTHORIZE REHMANN TO COMPLETE THE COST MISALLOCATION LOOKBACK OF NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY FOR FISCAL YEAR 2018 AND FISCAL YEAR 2019 AT A COST NOT TO EXCEED ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) AS ORIGINALLY MOVED BY THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS ON JANUARY 22, 2025; SUPPORT BY ERIC LAWSON.**

Discussion: Ms. Pilon shared that the Northern Lakes Board's intention for having RPC review fiscal years 2020, 2021, and 2022 was to obtain a second opinion. Mr. Kurtz noted that the state has reached out to NMRE for a status report. Mr. Iseler asked how long it would take Rehmann to complete the investigation of fiscal years 2018 and 2019. Mr. Kurtz responded that, because a process has been established, it should be quicker than the original report. Ms. Zeller clarified that the action of Northern Lakes Board did not include 2018 or 2019, nor did the estimate from RPC.

**ROLL CALL VOTING TOOK PLACE ON MR. TANNER'S MOTION.**

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

**"Nay" Votes:** D. Freedman, R. Pilon

**MOTION CARRIED.**

The discussion next turned to the NMRE potentially paying Northern Lakes CMHA for the cost settlement of fiscal years 2023 and 2024. Mr. Kurtz acknowledged that the NMRE has not paid Northern Lakes CMHA the \$10,065,474 in part because he questions Northern Lakes' ability to pay the NMRE what is owed for the cost misallocation lookback if the closeout funds are not retained, particularly considering Northern Lakes' request for a cash advance in June 2025. During the regional Operations Committee meeting on October 21<sup>st</sup>, the suggestion was made to put the

funds owed to Northern Lakes CMHA in an escrow account while the lookback is finalized. Ms. Yockey confirmed that the \$10,065,474 owed to Northern Lakes CMHA is already set up as a liability in the NMRE financial records.

Mr. Iseler asked whether it is necessary to put the entire \$10,065,474 in escrow. Mr. Freedman responded that he would prefer that Northern Lakes get the \$3,040,311 that was agreed to in September.

**MOTION BY DANA LABAR TO AUTHORIZE A FISCAL YEAR 2023 AND 2024 CLOSE OUT PAYMENT TO NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY IN THE AMOUNT OF THREE MILLION FORTY THOUSAND, THREE HUNDRED ELEVEN DOLLARS (\$3,040,311.00) AS MOVED BY THE NORTHERN MICHIGAN REGIONAL BOARD OF DIRECTORS ON SEPTEMBER 24, 2025, AND RETAIN THE REMAINING SEVEN MILLION TWENTY-FIVE THOUSAND ONE HUNDRED SIXTY-THREE DOLLARS (\$7,025,163.00) IN AN ESCROW ACCOUNT PENDING THE COMPLETION OF THE AUDITS BY REHMANN AND ROSLUND, PRESTAGE, AND COMPANY, PC; SUPPORT BY ERIC LAWSON.**

Discussion: Mr. Tanner asked Mr. Kurtz if the motion alleviates his concerns with Northern Lakes CMHA being able to pay its debt to the NMRE for the cost misallocation piece. Mr. Kurtz responded that he is comfortable with the motion.

**ROLL CALL VOTING TOOK PLACE ON MR. LABAR'S MOTION.**

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

**"Nay" Votes:** Nil

**MOTION CARRIED.**

### **FY25 PIHP Contract Injunction and Complaint Update**

There was no update on the complaint filed by Taft, Stettinius & Hollister, LLP, on behalf of Northcare Network, 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, regarding the 7.5% Internal Service Fund cap.

### **Region 10 et al. Complaint**

An 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 took place on October 9, 2025, after which Judge Christopher Yates said he'll likely skip ruling on a request for preliminary injunction and issue a declaratory judgment to resolve the case. Judge Yates has not ruled on whether the way MDHHS structured the RFP is in violation of the Mental Health Code. Judge Yates wrote, "Although the court has not yet granted

plaintiffs any declaratory relief, the possibility of such an outcome is significant, and the court will act expeditiously to address what remains of the complaint seeking a declaratory judgment." As stated previously, a status conference has been scheduled for 1:00 on this date via Zoom.

### **CMH Complaint Filing**

On October 9, 2025, Christopher Cooke (Secrest Wardle) filed a complaint and request for preliminary injunction against the State of Michigan, MDHHS, and the Department of Technology and Budget on behalf of Centra Wellness Network, Northeast Michigan CMHA, Wellvance, Gogebic CMHA, North Country CMHA, and Manistee County asserting that the current RFP ignores the statutory requirements of local CMHSP control of the contracting for and provision of necessary services and the loss of local control and oversight of community-based systems (among other issues). The plaintiffs ask that the court:

- (1) Issue a preliminary injunction prohibiting the Defendants from soliciting bids under the RFP or, in the alternative, prohibiting the Defendants from contracting with bidders under the current RFP framework;
- (2) Issue judgment and a permanent injunction prohibiting the Department from privatizing the provision of mental health services.

Although the complaint was originally filed October 9<sup>th</sup>, a signed amended complaint was refiled on October 21, 2025. It is unknown whether Judge Yates will factor this complaint in his declaratory judgment in the Region 10 matter.

### PRESENTATION

#### **NMRE FY26 Compliance Plan**

NMRE Compliance and Customer Services Officer, Brie Molaison, was in attendance to present on the FY25 Compliance Program Outcomes and FY26 Compliance Program Goals.

#### FY25 Compliance Program Outcomes

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

Outcome: Ten data mining scenarios and 15 audits were completed in FY25. Approximately \$147,000 was recovered from these activities. Feedback will be provided to the CMHSPs after FY25 Quarter 2 is completed.

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

Outcome: The MEV audit identified a trend with one of the NMRE's SUD providers. A fraud investigation was opened, and the investigative audit resulted in approximately \$7,300 in recovered claims. A follow-up audit will be conducted to ensure that the issue has been resolved. A corrective action plan will be requested, if necessary.

Goal 3. Strengthen Compliance with federal and state laws regarding Adverse Benefit Determinations (ABD) sent to beneficiaries of the NMRE region.

Outcome: Regionwide training was provided in January 2025 and to a single provider in March 2025. Each CMHSP has been compliant with the increased oversight, which resulted in compliance improvement. Compliance for FY25 Quarter 1 and Quarter 2 focused on the required 6.9 grade-level readability and timeframes of ABDs. FY25 training focused on readability and proper citation use.

Goal 4. Update training materials.

Outcome: Materials were updated, and regional staff were trained on the updates. The training will be shared with the CMHSPs for provider-specific training purposes. Training for SUD providers occurs annually in January.

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

Outcome: No new policies were created, although three policies were updated, including Compliance Reporting and Investigation, Grievance and Appeals, and Standards of Conduct. Updated policies will be shared with providers and posted to the NMRE website.

#### FY26 Compliance Plan Goals

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

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

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

Goal 4. Strengthen compliance with federal and state laws regarding grievances and appeal documentation to beneficiaries of the NMRE region.

Goal 5. Implement C+MCG Indicia evidence-based care guidelines to monitor data providing insight into critical benchmarks of care such as length of stay, readmission, reduction of denials, and optimize levels of care.

**MOTION BY DON TANNER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY'S FISCAL YEAR 2025 COMPLIANCE PROGRAM OUTCOMES AND FISCAL YEAR 2026 COMPLIANCE PLAN AND PROGRAM GOALS; SUPPORT BY DAVE FREEDMAN. MOTION CARRIED.**

#### COMMENTS

##### **Board**

Mr. Klacking expressed appreciation to the Board for its ability to deliberate in a collegial manner.

##### **Public**

Justin Reed thanked the Board for the agreement made regarding cost settlement funds to Northern Lakes CMHA.

#### NEXT MEETING DATE

The next meeting of the NMRE Board of Directors was scheduled for 10:00AM on December 3, 2025.

#### ADJOURN

Let the record show that Mr. Klacking adjourned the meeting at 11:41AM.