

**NORTHERN MICHIGAN REGIONAL ENTITY
BOARD OF DIRECTORS MEETING
10:00AM – JUNE 25, 2025
GAYLORD BOARDROOM**

ATTENDEES:	Bob Adrian, Tom Bratton, Ed Ginop, Karen Goodman, Gary Klacking, Dana Labar, Eric Lawson, Mary Marois, Michael Newman, Karla Sherman, Don Smeltzer, Don Tanner, Chuck Varner
VIRTUAL ATTENDEES:	Ruth Pilon
ABSENT:	Jay O’Farrell
NMRE/CMHSP STAFF:	Bea Arsenov, Brian Babbitt, Carol Balousek, Eugene Branigan, Ann Friend, Kevin Hartley, Chip Johnston, Eric Kurtz, Brian Martinus, Brie Molaison, Diane Pelts, Pam Polom, Brandon Rhue, Neil Rojas, Nena Sork, Denise Switzer, Deanna Yockey
PUBLIC:	Anonymous (4), Erin Barbus, Dave Freedman, Greg McMorrow, Justin Reed, Crystal Weaver

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 Jay O’Farrell was excused from the meeting on this date. All other NMRE Board Members were in attendance either virtually or 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 the June 23, 2025 Executive Committee meeting report was added to the meeting Agenda.

MOTION BY ERIC LAWSON TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING AGENDA FOR JUNE 25, 2025 AS AMENDED; SUPPORT BY KARLA SHERMAN. MOTION CARRIED.

APPROVAL OF PAST MINUTES

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

MOTION BY BOB ADRIAN TO APPROVE THE MINUTES OF THE MAY 28, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY DON TANNER. MOTION CARRIED.

CORRESPONDENCE

- 1) A letter from Jessica Hickley, Acting Deputy Director in the Division of Managed Care Policy Center for Medicaid and CHIP Services at the Centers for Medicare and Medicaid Services (CMS) to Meghan Groen, Chief Deputy Director for Health Services at MDHHS dated May 8, 2025, approving Michigan's submission of a proposal for delivery system and provider payment initiatives under Medicaid managed care plan contracts.
- 2) Email correspondence from Bob Sheehan, CEO of the Community Mental Health Association of Michigan (CMHAM) dated June 12, 2025, expressing concerns with the MDHHS's Mental Health Framework initiative.
- 3) Infographic from CMHAM titled, "Protecting People Over Profit: Public Management of Michigan's Behavioral Health System."
- 4) Action Alert from CMHAM urging the public to contact legislators to express their concerns over the MDHHS PIHP Procurement proposal.
- 5) CMHAM document titled, "Analysis of MDHHS PIHP Procurement Plan," dated May 2025.
- 6) CMHAM document titled, "Concerns Regarding MDHHS PIHP Contract Procurement Proposal," dated June 2025.
- 7) The draft minutes of the June 11, 2025, regional Finance Committee meeting.

Mr. Kurtz drew attention to the correspondence items related to the PIHP bid out and Mental Health Framework (MHF). MDHHS is moving forward with the MHF without any clear consensus on how it will work. Even though the Michigan Mental Health Codes lists CMHSPs' as being responsible for inpatient screenings, under the MHF, Medicaid Health plans will be responsible for serving the mild-moderate population, including inpatient hospitalizations. Inpatient admissions will be based on Level of Care Utilization System (LOCUS) assessment scores, but it is not clear what staff from what entity will be administering the LOCUS. Mr. Babbitt noted that it is not appropriate to conduct a LOCUS on an individual in crisis. The MHF appears to be an extension of the PIHP bid out.

ANNOUNCEMENTS

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

PUBLIC COMMENT

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

REPORTS

Executive Committee Report

A meeting of the NMRE Board Executive Committee occurred on June 23, 2025 at 9:30AM. The draft meeting minutes and an "Update Regarding Northern Lakes Community Mental Health Authority and Cost Reduction Plans" drafted by Mr. Kurtz were distributed during the meeting. Time was allotted for Board Members to review the materials.

Mr. Tanner spoke on behalf of the NMRE Executive Committee. Mr. Tanner explained that the NMRE Board Executive Committee was convened to discuss concerns related to funding and cash flow issues with Northern Lakes and options that the region can consider to resolve the issues.

It was noted that a Cost Containment Plan has yet to be approved by the Northern Lakes Board of Directors. Beyond that, two additional issues have surfaced: a request for cash advance by Northern Lakes CMHA's CFO and preliminary findings for the and Rehmann cost allocation lookback. Mr. Bratton explained that Northern Lakes did not approve the Cost Containment Plan as it was presented pending further details.

On June 17th, Northern Lakes CMHA's Chief Financial Officer reached out to the NMRE to inquire about a cash advance against the FY23 and FY24 cost settlement due to cash flow needs.

On June 19th, Mr. Kurtz received a preliminary report from Rehmann providing the most recent status and summary of the misallocation lookback. Preliminary findings show that a multimillion-dollar payback is owed to the NMRE due to these misallocations.

It was noted that Northern Lakes may need to look at other avenues for cash flow.

Ms. Sork asked what happened to the \$11.3M "rainy day fund" and \$8.1M invested in a savings account referenced in the October 18, 2024, Northern Lakes CMHA Board Minutes. Northern Lakes also recently cashed in some long-term CDs. NLCMHA's Chief Financial Officer, Kevin Hartly responded that Northern Lakes current spending is \$500K - \$600K beyond the capitated payment. Ms. Sork questioned why Northern Lakes took funds from the ISF in prior years if it had long-term investments.

Mr. Klacking asked what it will take for the Northern Lakes Board to have what it needs to move forward with cost containment plan. Ms. Marois responded that the Board has asked for specific information related to staff reductions. Ms. Marois voiced that the Northern Lakes Board doesn't have confidence in the Interim CEO. Mr. Kurtz responded that he is pulling Mr. Martinus from the position effective June 30, 2025.

The NMRE Board Executive Committee listed options that the NMRE can take regarding Northern Lakes, including:

- 1) Removing Northern Lakes CMHA from the NMRE governance structure.
- 2) Deciding what Medicaid functions the NMRE prepared to take over.

Mr. Kurtz stated that the primary issue currently is the potential need for cash advance and how long cash flow will be an issue. Ms. Marois acknowledged that an emergency meeting of the Northern Lakes Board is needed. NMRE Board Chair, Greg McMorrow, who attended the meeting virtually as a member of the public, agreed.

Ms. Sherman stressed that the Internal Service Fund is meant for the region, not just one Member. She expressed that she feels strongly about not allowing Northern Lakes to drain the ISF.

MOTION BY KARLA SHERMAN TO NOT EXTEND ANY FUNDS FROM THE NORTHERN MICHIGAN REGIONAL ENTITY'S INTERNAL SERVICE FUND TO NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY TO COVER FISCAL YEAR 2025 OVERSPENDING; SUPPORT BY DON TANNER.

Discussion: Mr. Tanner questioned whether the NMRE Board has the authority to execute the motion. Mr. Kurtz agreed, adding that he would like to put a barrier in place at the discretion of the Board.

MS. SHERMAN WITHDREW HE MOTION. MR. TANNER WITHDREW HIS SUPPORT.

Mr. Hartley clarified that he was under the understanding Northern Lakes was owed cost settlement funds for FY23 and FY24. If he had known about cost allocation amounts, he would not have inquired about a cash advance. By policy, Northern Lakes is allowed to wait 30 days to pay providers. The current cash flow issue can be resolved by somewhat delaying payments. The Medicaid and Healthy Michigan payments are due from the NMRE on July 3rd.

MOTION BY KARLA SHERMAN TO NOT ADVANCE ANY FUNDS TO NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY BEYOND THE PER MEMBER PER MEMBER REVENUE TO COVER ONGOING EXPENSES; SUPPORT BY DON TANNER.

Discussion: Ms. Marois requested that the motion contain a time limit. Ms. Marois asked that the motion be tabled pending the emergency meeting of the Northern Lakes Board. Mr. Lawson emphasized that a commitment is needed from the Northern Lakes Board that it will spend within the PM/PM by October 1, 2026.

ROLL CALL VOTING TOOK PLACE ON MS. SHERMAN'S MOTION.

"Yea" Votes: R. Adrian, E. Ginop, K. Goodman, G. Klacking, E. Lawson, K. Sherman, D. Tanner,

"Nay" Votes: T. Bratton, D. Labar, M. Marois, M. Newman, D. Smeltzer, C. Varner

MOTION CARRIED.

MOTION BY DON TANNER TO TERMINATE BRIAN MARTINUS' TERM AS INTERIM CHIEF EXECUTIVE OFFICER OF NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY EFFECTIVE JULY 1, 2025; SUPPORT BY BOB ADRIAN. MOTION CARRIED.

MOTION BY DON TANNER TO REVIEW THE UPDATE REGARDING NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY AND COST REDUCTION PLANS DRAFT DOCUMENT FOR THIRTY (30) DAYS AND REVISIT IT DURING THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD MEETING ON JULY 23, 2025; SUPPORT BY KARLA SHERMAN. MOTIN CARRIED.

MOTION BY KAREN GOODMAN TO APPROVE THE MINUTES OF THE JUNE 23, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS EXECUTIVE COMMITTEE; SUPPORT BY CHUCK VARNER. MOTION CARRIED.

A follow-up Executive Committee meeting may be scheduled following the Northern Lakes Emergency Board Meeting. Clarification was made that Executive Committee meetings are public meetings, subject to the Open Meetings Act.

CEO Report

The NMRE CEO Monthly Report for June 2025 was included in the materials for the meeting on this date.

April 2025 Financial Report

- Net Position showed a net surplus for Medicaid and HMP of \$1,760,323. Carry forward was reported as \$736,656. The total Medicaid and HMP current year surplus was reported as \$2,496,979. FY24 HSW revenue was reported as \$1,137,411. The total Medicaid and HMP adjusted current year surplus was reported as \$1,359,568. The total Medicaid and HMP Internal Service Fund was reported as \$20,576,156. The total Medicaid and HMP net surplus was reported as \$23,073,135.
- Traditional Medicaid showed \$125,455,745 in revenue, and \$121,681,030 in expenses, resulting in a net surplus of \$3,774,715. Medicaid ISF was reported as \$13,514,675 based on the current FSR. Medicaid Savings was reported as \$0.
- Healthy Michigan Plan showed \$15,495,242 in revenue, and \$17,509,634 in expenses, resulting in a net deficit of \$2,014,392. HMP ISF was reported as \$7,068,394 based on the current FSR. HMP savings was reported as \$736,656.
- Health Home showed \$1,950,192 in revenue, and \$1,556,270 in expenses, resulting in a net surplus of \$393,922.
- SUD showed all funding source revenue of \$16,703,387 and \$12,993,828 in expenses, resulting in a net surplus of \$3,709,559. Total PA2 funds were reported as \$4,783,867.

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	\$817,119	\$4,783,867

On June 19th, the NMRE received \$151,830 in retroactive HSW payments. The next payment is expected on July 10th.

The region currently has 4 open HSW slots.

Although eligibles have declined, revenue is up \$1M eight months into FY25 from the same period in FY24, mainly due to HSW payments.

Some financial relief is expected with the rate amendment included in Amendment 3 to the FY25 PIHP Contract. The state is recouping all payments for FY25 and reissuing them with new (higher) rates. June data received earlier on this date reflected the new rates.

MOTION BY DON TANNER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR APRIL 2025; SUPPORT BY DON SMELTZER. ROLL CALL VOTE.

"Yea" Votes: R. Adrian, T. Bratton, E. Ginop, K. Goodman, G. Klacking, D. Labar, E. Lawson, M. Marois, M. Newman, K. Sherman, D. Smeltzer, D. Tanner, C. Varner

"Nay" Votes: Nil

MOTION CARRIED.

Operations Committee Report

The draft minutes from June 17, 2025 were included in the materials for the meeting on this date. Mr. Kurtz reviewed the PIHP bid out options. As it stands, current PIHPs are excluded from bidding as only entities with 501(c)(3) status are being considered. Under the new model, CMHSPs are prohibited from performing any managed care functions. The Request for Proposals (RFP) requires the National Committee for Quality Assurance (NCQA) accreditation, which is a costly process and can take up to three-years to achieve. The NMRE is working with Region 1 (NorthCare Network) as always and highlighting rural issues and legal options.

NMRE SUD Oversight Committee Report

The next meeting of the NMRE Substance Use Disorder (SUD) Oversight Committee is scheduled for 10:00AM on July 7, 2025.

NEW BUSINESS

Let the record show that there was no New Business to present to the Board during the meeting on this date.

OLD BUSINESS

Northern Lakes CMHA Update

Mr. Bratton reported that the Northern Lakes CMHA Search Committee is meeting on June 27th to review and score CEO candidates' resumes and applications. The candidates will be scored on criteria developed by the Search Committee. The Search Committee will then present the top two candidates to the full Board by June 30, 2025. The top two candidates will participate in a tour of Northern Lakes' facilities and participate in group interviews with the Northern Lakes Leadership Team on July 10th. The Board will interview the candidates on July 11th during an open meeting. A final hiring decision will be made by the Board during the July 17th Board meeting.

Mr. Adrian wished Northern Lakes good luck with securing a CEO.

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.

PRESENTATION

FY25 Quality Assessment and Performance Improvement (QAPI) Update

NMRE Chief Clinical Officer, Branislava Arsenov, was in attendance to provide an update on the NMRE's FY25 QAPIP.

The QAPIP is a requirement of MDHHS and is intended to serve several functions including but not limited to:

- Serve as the quality improvement structure for the managed care activities of the NMRE as the PIHP for the 21-county area.
- Provide oversight of the CMHSPs' quality improvement structures and ensure coordination with PIHP activities, as appropriate.
- Provide leadership and coordination for the PIHP Performance Improvement Plans (PIPs).
- Coordinate with the regional Compliance Coordinator and Regional Compliance Committee to verify the validity of Medicaid claims submitted.
- Describe how these functions will be executed within the NMRE's organizational structure.

Ms. Arsenov provided an update on a few of the QAPIP's 16 goals:

Quality Measures: The NMRE will review the following Healthcare Effective Data and Information Set (HEDIS) measures to demonstrate and ensure quality care.

1) Follow-Up After Hospitalization (FUH) for Mental Illness within 30 Days.

Michigan Medicaid Total	65.27%
Medicaid Managed Care	66.18%
Medicaid Fee for Service	58.74%
NMRE	68.25%

2) Follow-Up After (FUA) Emergency Department Visit for Alcohol and Other Drug Dependence.

Michigan Medicaid Total	38.47%
Medicaid Managed Care	38.91%
Medicaid Fee for Service	33.24%
NMRE	42.98%

Performance Improvement Projects (PIPs): The NMRE will engage in Performance Improvement Projects (PIPs) to improve health outcomes and member satisfaction.

- 1) The NMRE will strive to improve the percentage of individuals who are enrolled in the Behavioral Health Home program from 5% to 6% by September 30, 2025.

CMHSP	Receiving BHH Waiver Services	Enrolled + Potential Enrollees Actively Enrolled with CMHSP	Percent Enrolled
Centra Wellness	144	770	18.70%
North Country	92	2,283	4.03%
Northeast Michigan	112	1,486	7.54%
Northern Lakes	142	3,391	4.19%
Wellvance	83	1,691	4.91%
Total	573	9,621	5.96%

- 2) The NMRE will collect data and conduct analysis to show evidence of increased enrollment in the Substance Use Disorder (SUD) Health Home by September 30, 2025.

Time Period	Running Date	Enrolled	Eligible	% of PE Enrolled
Pre-Baseline	<= 9/30/20	284	5,372	5.29%
Baseline	<= 9/30/21	587	7,603	7.72%
Post-Baseline	<= 9/30/22	890	8,398	10.90%
Year 1	<= 9/30/23	936	6,400	14.63%
Year 2	<= 9/30/24	820	7,142	11.48%
Year 3 SUDHH	<= 9/30/25	974	7,274	13.39%

Performance Bonus Incentive Pool (PBIP) Improvement Needs:

- 1) Initiation and Engagement of Alcohol and Other Drug Abuse or Dependence Treatment (IET).

Michigan Medicaid Total	11.28%
NMRE	13.03%

- 2) Adherence to antipsychotic medications for individuals with schizophrenia (SAA-AD).

Michigan Medicaid Total	62.38%
NMRE	70.9%

Other Accomplishments:

- The NMRE provided Individual Plan of Services (IPOS) and Adverse Benefit Determination (ABD) training to all five Member CMHSPs.
- The NMRE implemented ABD monitoring for compliance with federal rules.
- The NMRE Completed Medicaid Encounter Validation (MEV) audits quarterly.
- The NMRE conducted regular site visits for the CMHSPs and SUD services providers.

COMMENTS

Board

Ms. Marois recommended a movie on Netflix titled, "Straw."

Ms. Goodman spoke with Rep. Moolenaar's legislative assistant, Edward Kim, to try to explain the downstream damage related to the PIHP bid out.

Public

Justin Reed spoke about the implications of Northern Lakes CMHA's cost containment plan. He noted that the new Board Governance structure hasn't fixed the ongoing issues with the Northern Lakes Board. Mr. Reed also voiced his support for the removal of Brian Martinus as Northern Lakes CMHA's Interim CEO.

NEXT MEETING DATE

The next meeting of the NMRE Board of Directors was scheduled for 10:00AM on July 23, 2025.

ADJOURN

Let the record show that Mr. Klacking adjourned the meeting at 12:30PM.