MSHN
Mid-State Health Network

POLICIES AND PROCEDURE MANUAL

Chapter:	**Financial Management**		
Title:	**Finance Capitation Payments and Budget Procedure**		
Policy: ☐ **Procedure:** ☒ **Page:** 1 of 3	**Review Cycle:** Biennial **Author:** Chief Financial Officer	**Adopted Date:** 04.18.2014 **Review Date:** 05.09.2023	**Related Policies:** Financial Management

Purpose:

The purpose of this procedure is to describe the methodology by which the Prepaid Inpatient Health Plan (PIHP), Mid-State Health Network (MSHN), will:

- Distribute capitated payments to each Community Health Service Program (CMHSP) Participants;
- Identify the conditions for using Medicaid Savings, and/or Internal Service Funds (ISF) to ensure benefit stabilization across CMHSPs and;
- Outline steps that the PIHP and each CMHSP will use to ensure fiscal stewardship across MSHN.

Guiding Principles: Each process in this procedure takes into account MSHN's commitment to the following principles:

- CMHSPs are committed to a "per-eligible/per-month" (PEPM) funding methodology.
- Planned Funding Adjustments will be reduced, over time, to the point at which only Medicaid revenue expected to be unspent (projected lapse dollars) for the upcoming year are used to fund any CMHSP needs.
- Each CMHSP retains local autonomy as it works to meet uniform standards and statutory and regulatory requirements.
- The PIHP will confirm that each CMHSP demonstrates financial stewardship through the use of a transparent system of on-going reporting, including reviews of actual to projected Medicaid expenditures, including projected lapse.
- The PIHP and CMHSPs in partnership will work together to ensure there are sufficient Medicaid Savings and ISF reserves to maintain financial stability for MSHN.
- The PIHP ensures that Medicaid recipients, within the PIHP region, have access to medically necessary Medicaid services as indicated in 42CFR Sec. 438.206

Procedure:

A. CMHSP Spending Plan Preparation:
   1. In June of each fiscal year, the PIHP will issue projected Medicaid funding to each CMHSP for the upcoming fiscal year. This straight-capitation projection is based on the PIHP's best estimates of Medicaid rates and enrollments for the coming year.
      a. The PIHP will also provide an arithmetical projection of any PFA.
   2. By July 15 of each fiscal year, each CMHSP will submit to the PIHP their Medicaid Spending Plan, inclusive of the required actual PFA, for the upcoming fiscal year. At a minimum, these variables should include those listed in attachment A.
   3. The PIHP will perform budget oversight functions as directed by the Budget Oversight Policy.
   4. No later than August 15 of each fiscal year, the PIHP will notify the CMHSP of the approval or disapproval of the CMHSP's spending plan by the PIHP. If a CMHSP projects a deficit in the current fiscal year, a revised spending plan can be submitted to the PIHP, with no presumption that additional Medicaid funds are forthcoming.
   5. Funding Exhibits will be prepared and sent with current fiscal year Medicaid Subcontracting Agreements.

B. Monitoring of CMHSP Medicaid Revenue and Medicaid Expense:
   1. CMHSP Participants submit to the PIHP expense information for quarterly review for the first two quarters and bi-monthly reporting for the remaining six months of the fiscal year. The PIHP compares projected to actual capitation revenue, as well as CMHSP budgeted expenses to actual spending, in order to provide consolidated Entity reporting.

2. Each CMHSP Participant is due its full payment up to the straight cap amount for its catchment area. However, when a CMHSP estimates a projected lapse, the PIHP will be notified as soon as possible, to allow for projected lapsed funding to be re-directed by the PIHP to other CMHSP(s) that have projected deficit spending (benefit stabilization).
3. The PIHP will utilize a process of its own design to distribute excess funds via contract amendment.
4. Addressing Use of Medicaid Savings, Excess Current Medicaid and the Internal Service Fund:
    a. CMHSP must notify the PIHP, both verbally and in writing, as soon as a projected deficit in total for all fund sources (Medicaid, Healthy Michigan Plan, Autism) combined is anticipated.
    b. CMHSP Participants that anticipate overspend their funding allocation can request to receive additional funds required to cover these additional costs. These funds would be allocated after approval from the PIHP from either lapsed funds from other CMHSPs, Medicaid Savings, or from the Entity's Internal Service Fund. Please refer to the Budget Oversight Policy.

C. Use and Allocation of Medicaid Revenues and Expenses:
1. Allocation of costs to Medicaid: For the purpose of allocating the cost of services among funding sources, all CMHSPs will use a process that includes the following components:
    a. Encounter based,
    b. Weighted to account for the differences in time and/or cost of procedure codes, and
    c. reported within the encounter data system
    d. Allocation of expenditures to funding sources other than Medicaid when the cost of services for Medicaid consumers are not Medicaid eligible
2. Each CMHSP must use full accrual accounting in the completion of the FSRs which are submitted to the PIHP.

D. Payment Distribution
1. Medicaid and HMP– Funds are received from MDHHS on the Thursday following the fourth Wednesday. Upon receipt, MSHN disburses an interim payment to the CMHSPS which represents 85% of their budgeted revenue for the fiscal year. A final payment is sent to the CMHSPs the following week once the eligibility and enrollment files are processed. The final payment reflects deductions for taxes and affiliation fees.
2. Autism – CMHSPs receive their portion of revenue based on the ratio of autism consumers as compared to the Region's total. – Funds are received from MDHHS on the Thursday following the fourth Wednesday.
3. Habilitation Supports Waiver - Funds are received from MDHHS on the Thursday following the second Wednesday. Upon receipt, MSHN disburses an interim payment to the CMHSPS which represents 85% of their budgeted revenue for the fiscal year. A final payment is sent to the CMHSPs the following week once the eligibility and enrollment files are processed. The final payment reflects deductions for taxes and affiliation fees.
4. Children's Waiver (CW) and Serious Emotional Disturbance Waiver (SEDW) – is received with Habilitation Supports Waiver.
4. Community Grant – Substance Use Disorder (SUD) – Funds are received following submission of a Financial Status Report (FSR) to MDHHS. The funds are disbursed by MSHN to its SUD provider network on the first and third Fridays of each month. Provider payments are based on claims adjudication and financial status reports (FSR) submission.
5. Public Act 2: Funds are received quarterly from the 21 counties in MSHN's region. The amount varies depending of tobacco and alcohol tax collections for the time frame in question. Provider payments are based on claims adjudication and FSR submission.

E. Year-end Reporting and Cost Settlement
1. For each fiscal year, the CMHSP Participants will submit the required year end documents to the PIHP for final year end cost settlement and financial reconciliation, to include the:
    i. FSR Bundle
    ii. Encounter Quality Initiative (EQI)
2. The PIHP will send cost settlement letters to each CMHSP once a final cost settlement and reconciliation has been completed on each CMHSPs year-end documents. Any amount due either to the PIHP or to the

CMHSP as a result of this final financial cost settlement shall be paid within thirty (30) days from the date of the final cost settlement.

Applies to

☒ All Mid-State Health Network Staff
☐ Selected MSHN Staff, as follows:
☒ MSHN's Affiliates: ☐ Policy Only ☒ Policy and Procedure
☐ Other: Sub-contract Providers

Definitions

Budget: Formal document including revenues for all funding streams and related expenditures approved by a CMHSP Board of Directors
CMHSP: Community Mental Health Service Program
FSR: Financial Status Report
ISF/Internal Service Fund: Medicaid funds held by PIHP for the benefit of Region #5 for use on Medicaid related risk
MDHHS: Michigan Department of Health and Human Services
MSHN: Mid-State Health Network
MUNC Report: Medicaid Utilization Net Cost
PEPM: Per Eligible Per Month, refers to how the Medicaid capitation payment is calculated and paid
PFA/Planned Funding Adjustment: Planned Funding Adjustments are approved increases or decreases to a CMHSP Participant's Medicaid funding.
PIHP: Prepaid Inpatient Health Plan
Regional Entity: The PIHP and all CMHSP participant members that are part of MSHN
Spending Plan: General description of revenues and expenditures as it relates to Medicaid expenditures approved by the PIHP
SUD: Substance Use Disorder
Variance: The difference between CMHSP straight capitation revenue projected and actual straight capitation revenue received, or between CMHSP spending plans and actual CMHSP spending.

Other Related Materials

MSHN Operating Agreement

References/Legal Authority

42 CFR Sec. 438.206 Availability of services

Change Log:

Date of Change	Description of Change	Responsible Party
04.18.2014	New Procedure	Chief Financial Officer
01.28.2015	Updated to reflect changes in CMHSP quarterly financial reporting requirements.	Chief Financial Officer
07.10.2017	Procedure Update	Chief Financial Officer
03.2018	Procedure Update	Chief Financial Officer
03.2019	Procedure Update	Chief Financial Officer
05.2021	Procedure Update	Chief Financial Officer
01.2023	Procedure Update	Chief Financial Officer