

POLICIES AND PROCEDURES MANUAL

Chapter:	Finance		
Title:	Cash Management – Cost Settlement		
Policy: <input checked="" type="checkbox"/>	Review Cycle: Biennial	Adopted Date: 05.03.16	Related Policies: Financial Management
Procedure: <input type="checkbox"/>	Author: Chief Financial Officer & Finance Council	Review Date: 05.09.2023	
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Purpose

To ensure Mid-State Health Network (MSHN) complies with Michigan Department of Health and Human Services’ (MDHHS) contract, the Operating Agreement, and the Medicaid Subcontract Agreement related to cost settlement funds.

Policy

It is the policy of MSHN to establish a consistent practice for cost settlement activities that are in accordance with good internal controls and generally accepted accounting principles (GAAP).

MSHN will perform annual preliminary cost settlement activities after the interim Financial Status Report (FSR) report is submitted to MDHHS. Community Mental Health Service Program (CMHSP) Participants are expected to provide preliminary cost settlement figures to the PIHP and return 85% of the anticipated lapse to the PIHP within 15 days of the agency’s FSR submission to MSHN unless both parties agree to an alternative arrangement. MSHN will make preliminary cost settlement payments of 85% for CMHSPs whose funding does not cover expected expenditures as soon as sufficient funding is available (either through savings or receipt of unexpended funds)

CMHSP’s should submit to MSHN final fiscal audits within 6 months after the close of the fiscal year in question by their independent auditor or firm. Final cost settlement activities will generally occur in April or May following the fiscal year. This allows time for completion of MSHN’s and its CMHSPs’ Compliance Examinations which may impact cost settlement figures. These activities include development of a cost settlement spreadsheet containing detailed amounts and account information as well as a formal Cost Settlement and Contract Reconciliation letter from MSHN to each CMHSP’s Chief Executive Officer (CEO). Remaining cost settlement funds are due within 30 days of the cost settlement letter referred to above.

Applies to:

- All Mid-State Health Network Staff
- Selected MSHN Staff, as follows:
- MSHN’s CMHSP Participants: Policy Only Policy and Procedure
- Other: Sub-contract Providers

Definitions:

CEO: Chief Executive Officer

CMHSP: Community Mental Health Service Program

FSR: Financial Status Report

GAAP: Generally Accepted Accounting Principles: A collection of commonly followed accounting rules and standards for financial reporting

MDHHS: Michigan Department of Health and Human Services

MSHN: Mid-State Health Network

PIHP: Pre-paid Inpatient Health Plan

Other Related Materials

N/A

References/Legal Authority

MDHHS Contract

Operating Agreement

Medicaid Subcontract Agreement

Change Log:

Date of Change	Description of Change	Responsible Party
12.11.2015	New Policy	Chief Financial Officer
03.20.2017	Annual Review	Chief Financial Officer
03.2018	Annual Review	Chief Financial Officer
03.2019	Annual Review	Chief Financial Officer
01.2021	Biennial Review	Chief Financial Officer
01.2023	Biennial Review	Chief Financial Officer