

## POLICIES MANUAL

<b>Chapter:</b>	<b>Finance</b>		
<b>Title:</b>	<b>Cash Management - Advances</b>		
<b>Policy:</b> <input checked="" type="checkbox"/>	<b>Review Cycle:</b> Biennial	<b>Adopted Date:</b> 07.05.2016	<b>Related Policies:</b> Financial Management
<b>Procedure:</b> <input type="checkbox"/>	<b>Author:</b> Chief Financial Officer Chief Executive Officer	<b>Review Date:</b> 05.09.2023	
<b>Page:</b> 1 of 3		<b>Revision Eff. Date:</b>	

### Purpose

To establish consistent guidelines related to unplanned requests for funds from Community Mental Health Service Programs (CMHSP) Participants and the Substance Use Disorder Provider Network (SUDPN).

### Policy

It is the policy of Mid-State Health Network (MSHN) that approval of accelerated payments or cash advance disbursements are made with good internal controls and in accordance with generally accepted accounting principles (GAAP). MSHN will consider requests for advance disbursements (accelerated payments or cash advances), as defined in this policy, within the cash flow requirements of MSHN.

#### 1. Definitions – Applicable to CMHSP Participants

- a) **Accelerated Payment** Definition: An *accelerated payment* is defined as funds requested by a CMHSP Participant and distributed prior to MSHN’s receipt of Medicaid, Healthy Michigan Plan, Habilitation Supports Waiver or Autism capitation payments from Michigan Department of Health and Human Services (MDHHS). Typically, this payment is due to the CMHSP, it is simply being requested that MSHN provide the funds on an accelerated basis, which means prior to receipt of said funds by MSHN. These are typically very short-term arrangements covering a time period of several days to several weeks; these arrangements may span across to monthly reporting periods, but never beyond.
- b) **Cash Advance** Definition: A *cash advance* is a disbursement of funds, requested by the CMHSP, to manage short-term cash flow problems. A cash advance is for funds above budgeted current fiscal year disbursements to the CMHSP taking into consideration Medicaid and Healthy Michigan savings for benefit stabilization. Cash advances do not increase the CMHSPs current fiscal year budget nor does a cash advance carry over from one fiscal year to another.
- c) **Interim Payment** definition: An *interim payment* is the initial 85% of the current year budgeted Medicaid/Healthy Michigan Program payment sent to CMHSP participants upon MSHN’s receipt of funds from MDHHS. The interim payment allows CMHSP participants to receive the majority of their anticipated Per Eligible Per Month (PEPM) immediately upon receipt by MSHN. The remaining budgeted disbursement (up to 15%) due to the CMHSP is made after eligibility file process completion and is typically made within three-to-five business days of the initial interim payment.

#### 2. Request Process: While MSHN reserves the right to request additional documentation/information of justification, requests for consideration under this policy must:

- a) Be submitted in writing to the MSHN Chief Financial Officer and
- b) Include supporting information and documentation.

#### 3. Approval – CMHSP Participants:

- a) MSHN will consider all requests for accelerated payments or cash advances from CMHSP participants. MSHN will assess regional cash requirements, MSHN cash requirements, bank balances, projected expense payments and all other related factors in making a determination of whether MSHN can support the CMHSP request. MSHN reserves the right, in its sole discretion, to approve, deny, modify or otherwise make decisions based on all available information in the best interests of the region.
- b) The CMHSP will be notified of the decision of MSHN as soon as possible but not later than 30 days after satisfactory submission of all information needed to make a decision.
- c) Approved cash advances will be paid within CMHSP’s specified “need by” date if possible or as soon as MSHN can process said request.

**4. Repayment – CMHSP Participants**

- a) An accelerated payment made by MSHN to a CMHSP will be repaid by withholding the funds from the next scheduled interim payment due to the CMHSP once funds are received by MSHN from MDHHS. These are typically very short-term arrangements covering a time period of several days to several weeks; these arrangements may span across to monthly reporting periods but never beyond.
- b) A cash advance may be repaid to MSHN by the CMHSP on a mutually agreeable time frame, which is as short in duration as possible, provided that all repayments must occur on or before September 30 of the fiscal year within which the advance was approved and made. CMHSPs unable to meet the repayment requirements will have their organization’s outstanding cash advance balance funds deducted from the last PEPM payments of the fiscal year to meet the fiscal year-end deadline net of any amounts due to CMHSP from MSHN.

**5. Definition – Applicable to SUDPN (Fee for Services/Cost Reimbursement Arrangements)**

**Cash Advance** Definition: A *cash advance* is defined as a request for funds from contracted providers that is financed on a fee-for-service or cost reimbursement basis where service provision has not yet occurred.

- a) Cash Advance Requests must:
  - i. Be submitted in writing to the MSHN CFO and
  - ii. Include supporting information on MSHN’s clinical criteria practice model form

**6. Approval – SUDPN (Fee for Services/Cost Reimbursement Arrangements)**

MSHN will consider all requests for cash advances from MSHN contractors financed on a fee for service or cost reimbursement basis. MSHN will assess regional cash requirements, MSHN cash requirements, bank balances, projected expense payments and all other related factors in making a determination of whether MSHN can support the request. MSHN reserves the right, in its sole discretion, to approve, deny, modify or otherwise make decisions based on all available information in the best interests of the region.

- a) The contractor will be notified of the decision of MSHN as soon as possible but not later than 30 days after satisfactory submission of all information needed to make a decision.
- b) Approved advances will be paid within the specified “need by” date if possible or as soon as MSHN can process said request.

**7. Repayment – SUDPN (Fee for Services/Cost Reimbursement Arrangements)**

Repayments must be made within 60 days unless another mutually agreed upon time frame exists. All repayments must be made by September 30 of the fiscal year in which the advance was approved and made net of balances due to SUDPN, if any. Repayments may also be deducted from future payments to the contractor, in order to secure the repayment balance due.

**General:** A cash advance should be considered a rare exception and other revenue sources to cover cash flow issues should be pursued.

All payments must comply with Office of Management and Budget (OMB) 2 CRF 200.305 which requires minimum time elapsing between the transfer of funds from MSHN to the CMHSP participant or the SUDPN vendor. MSHN payment methods consist of Automated Clearing House (ACH), bank wire, or check.

**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:**

ACH: Automated Clearing House; system that accomplishes electronic money transfers

CFO: Chief Financial Officer

CMHSP: Community Mental Health Service Program

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

OMB: Office of Management and Budget

PEPM: Per Eligible Per Month

SUDPN: Substance Use Disorder Provider Network

**Other Related Materials:**

Clinical Criteria Practice Model

**References/Legal Authority:**

N/A

**Change Log:**

<b>Date of Change</b>	<b>Description of Change</b>	<b>Responsible Party</b>
12.11.2015	New Policy	Chief Financial Officer
05.31.2016	Annual Review	Chief Financial Officer
06.20.2016	Revised, Endorsed by Operations Council	Chief Executive Officer
03.2017	Auditor recommended change	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