

POLICY & PROCEDURE MANUAL

Chapter:	Finance		
Title:	Costing Policy		
Policy: <input type="checkbox"/> Procedure: <input type="checkbox"/> Page: 1 of 2	Review Cycle: Biennial Author: Chief Financial Officer and Finance Council	Adopted Date: 11.04.2014 Review Date: 05.13.2025	Related Policies: Financial Management

Purpose:

The Mid-State Health Network (MSHN) costing policy is established to:

- Define responsibility for a unit costing system;
- Define the responsibility for comparison of member Community Mental Health Service Program (CMHSP) rates with other Prepaid Inpatient Health Plan (PIHP) rates within the state; and
- Define the responsibility for regular review of unit cost data to ensure that unit costs are reasonable and customary.

Policy:

- A. Each Community Mental Health Services Program Participant (CMHSP) will calculate unit costs on an annual basis:
 1. Unit costs will be calculated using full accrual accounting and encounter data services
 2. Unit costs will be calculated based on total costs, which are reflective of staff time, associated with services provided, less any delegated Pre-Paid Inpatient Health Plan (PIHP) administrative cost allocation.
- B. Each CMHSP will incorporate unit costs into Encounter Quality Initiative (EQI) reports:
 1. Each CMHSP will submit EQI reports to the PIHP based on the schedule identified in the Michigan Department of Health and Human Services (MDHHS) contract; and
 2. The PIHP will compile data into one PIHP report for submission to MDHHS.
 3. Beginning in Fiscal Year (FY) 2022, CMHSPs will incorporate as applicable Independent Rate Model (IRM) and Standard Cost Allocation (SCA) MDHHS guidelines into costing and unit rate methodology.
- C. PIHP will compare regional rates to rates throughout the state on an annual basis:
 1. Annual submission by MDHHS of EQI data by region will be reviewed by PIHP if available to determine codes where the MSHN region is a cost outlier.
 2. For those codes where the MSHN region is a cost outlier:
 - a. PIHP will determine, from EQI reports, which CMHSP(s) within the region is an outlier; and
 - b. Request from outlier CMHSP(s) steps that will be taken to bring costs within range; or
 - c. Request from outlier CMHSP(s) reasons for which their program cannot or should not be modified, including an analysis of a wide range of data (program model, business model, clinical model, other client services, geographic disparities, and/or productivity issues). PIHP may determine outliers not needing review if the regional costs of such services are not material.
- D. PIHP will provide opportunities to learn from others by providing comparison data of PIHPs across the state and comparison data of CMHSPs within the region.

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

CMHSP: Community Mental Health Service Program

EQI: Encounter Quality Initiative

IRM: Independent Rate Model

MDHHS: Michigan Department of Health and Human Services

MSHN: Mid-State Health Network

PIHP: Pre-paid Inpatient Health Plan

SCA: Standard Cost Allocation

UNC: Unit Net Cost

References/Legal Authority

Michigan Department of Health and Human Services Contract for 1115 Behavioral Health Demonstration Waiver Program, the Health Michigan Plan and relevant approved Waivers (Children's Waiver Program (CWP), Habilitation Supports Waiver (HSW), Serious Emotional Disturbance (SED))

Change Log:

Date of Change	Description of Change	Responsible Party
06.24.2014	New policy	Chief Financial Officer
10.05.2015	Policy update	Chief Financial Officer
03.20.17	Policy update	Chief Financial Officer
03.2018	Policy update	Chief Financial Officer
03.2019	Annual Review	Chief Financial Officer
01.2021	Biennial Review	Chief Financial Officer
01.2023	Biennial Review	Chief Financial Officer
12.2024	Biennial Review	Chief Financial Officer