

POLICIES AND PROCEDURES MANUAL

Chapter:	Finance		
Title:	Cash Management – Budget and Oversight Policy		
Policy: <input checked="" type="checkbox"/>	Review Cycle: Biennial	Adopted Date: 09.12.2017	Related Policies: Financial Management
Procedure: <input type="checkbox"/>	Author: Chief Financial Officer, Finance Council	Review Date: 05.13.2025	
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Purpose

To establish consistent guidelines for Community Mental Health Service Programs (CMHSP) Participants related to Medicaid including Autism and Healthy Michigan Plan (HMP) budgeting and projected cost overruns.

Policy

Mid-State Health Network (MSHN) and all CMHSPs in the region are expected to operate within a contractually established per eligible per month (PEPM) payment beginning Fiscal Year (FY) 2020. This policy outlines region-wide fiscal responsibilities and available remedies and actions when anticipated or actual expenditures exceed PEPM revenue.

MSHN Responsibilities

- Provide CMHSPs with projected revenue obtained from actuarial data and other relevant reports versus actual amounts received annually for budgeting purposes and throughout the fiscal year as rebasing occurs.
- MSHN distributes revenue pursuant to the specifications in the MSHN Operating Agreement, or as otherwise adopted from time to time.
- As it is contractually required to do, MSHN will cover allowable CMHSP expenses totaling more than the PEPM
- MSHN will allow redirection of funding to cover shortfalls/overages between Healthy Michigan and Medicaid expenditures above straight capitation.
- After MSHN's Board of Directors approve the next fiscal year's budget, MSHN will request written cost containment plans from CMHSPs with expenditures projecting to exceed Medicaid and HMP PEPM revenue by more than one (1) percent of total combined revenue. MSHN will operate under a cost containment plan based on the same CMHSP criteria outlined directly above. MSHN will monitor quarterly projections and provide reports to the Finance and Operations Councils. MSHN may request an interim cost containment plan from a CMHSP with projected expenditures exceeding Medicaid and HMP revenue by more than (1) percent of total combined revenue. MSHN will operate under a cost containment plan based on the same CMHSP criteria outlined directly above.
- MSHN may elect to waive cost containment plans when the Internal Service Fund (ISF) is fully funded and the anticipated Savings is above the 5% MDHHS threshold or other circumstances warrant such an action. CMHSPs projected to overspend will be reviewed on a case-by-case basis. A MSHN cost containment plan may be waived based on the criteria outlined directly above.

CMHSP Responsibilities

- CMHSPs will provide Medicaid and HMP budgets less than or equal to projected Medicaid and HMP revenue and establish mechanisms internally to contain expenses within the capitation provided by MSHN (unless approved by MSHN based on potential MDHHS revenue adjustments). If budgeted expenses exceed revenue, then CMHSPs will submit a balanced budget using all funding sources, with an indication of the amount of anticipated redirect.
- CMHSPs must cooperate with and implement necessary actions and strategies that contain Medicaid and HMP costs within available revenues. The cost containment plan must identify savings targets in dollars to be achieved by specified dates. The strategy must be sufficiently detailed to ensure cost containment strategies do not adversely impact or reduce medically necessary services.
- CMHSPs may redirect funding in excess of their PEPM based on the approved spending plan.
- CMHSPs anticipating spending in excess of PEPM for both Medicaid and HMP may receive an apportioned benefit stabilization payment based on available funding.

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 Programs

HMP: Healthy Michigan Plan

ISF: Internal Service Fund

MSHN: Mid-State Health Network

PEPM: Per Eligible Per Month

Other Related Materials:

References/Legal Authority:

N/A

Change Log:

Date of Change	Description of Change	Responsible Party
06.23.2017	New Policy	Chief Financial Officer
03.2018	Policy Update	Chief Financial Officer
12.19.2018	Policy Update	Chief Financial Officer
11.14.2019	Policy Update	Chief Financial Officer
01.2021	Biennial Review	Chief Financial Officer
01.2023	Policy Update	Chief Financial Officer
12.2024	Policy Update	Chief Financial Officer