

## POLICIES AND PROCEDURES MANUAL

<b>Chapter:</b>	<b>Finance</b>		
<b>Title</b>	<b>Financial Management</b>		
<b>Policy:</b> <input checked="" type="checkbox"/> <b>Procedure:</b> <input type="checkbox"/> <b>Page:</b> 1 of 3	<b>Review Cycle:</b> Biennial  <b>Author:</b> Chief Financial Officer	<b>Adopted Date:</b> 11.22.2013  <b>Review Date:</b> 05.13.2025	<b>Related Policies:</b> Cash Management

### **Purpose**

To ensure that MSHN maintains an accurate and consistent financial system, financial data reporting, and risk management program. Supporting procedures will address the details of each responsibility stated. Where applicable, each Community Mental Health Services Program (CMHSP) Participant shall adopt policies and/or procedures that meet, at a minimum, the requirements stated in this policy.

### **Policy**

Mid-State Health Network (MSHN), a regional entity operating as the Prepaid Inpatient Health Plan (PIHP), shall ensure accurate and consistent financial systems, financial data reporting and risk management. All MSHN financial practices shall comply with requirements established by federal and state laws and contracts (including, but not limited to, the Medicaid, Substance Use Disorder, and grant contracts approved by the board), and the Medicaid Provider Manual.

### **Budgeting – General Accounting and Financial Reporting**

- A. MSHN shall develop the necessary infrastructure and procedures to ensure that the organization meets all budgeting, accounting, and financial reporting requirements imposed by federal and state laws and contracts (including but not limited to the Medicaid, Substance Use Disorder, and grant contracts approved by the Board), along with the Medicaid Provider Manual.
- B. MSHN shall prepare, at a minimum, quarterly financial statements for board review that accurately report the financial position of the PIHP.
- C. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or subcontractors include requirements necessary to support the budgeting, accounting, and financial reporting infrastructure and procedures developed. At a minimum, these requirements will include references to applicable laws, contracts, and sections of the Medicaid Provider Manual, and will indicate the required information and timelines for reporting to MSHN.

### **Revenue Analyses**

- A. MSHN shall develop procedures to analyze and project revenues/funding received through federal, state, and local contracts, and agreements. These procedures shall be adequate to ensure that all revenues due to the PIHP are recorded properly and timely, that errors or exclusions are identified, and all reasonable and appropriate steps are taken to correct them.
- B. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the revenue analysis procedures developed.

### **Expense Monitoring and Management**

- A. MSHN shall assure and CMHSPs shall develop procedures to monitor expenses to ensure they are reasonable and necessary to meet the needs of the programs and consumers for which MSHN and CMHSP participants are responsible. All expenses, including those incurred by MSHN, must meet federal, state and local requirements, including, but not limited to, Office of Management and Budget Circular 2 CFR 200 Subpart E Cost Principles, applicable federal and state laws and contracts, and other policies and restrictions imposed by the MSHN Board of Directors.
- B. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the expense monitoring and management procedures developed. At a minimum, these requirements will include provisions for MSHN monitoring of the CMHSP Participants and/or subcontractors, available sanctions to MSHN for inappropriate or

undocumented expenses, and an appeals process. All expense monitoring requirements will be uniformly applied to all MSHN CMHSP Participants.

#### **Service Unit and Recipient-Centered Cost Analyses, and Rate-Setting**

- A. MSHN shall develop procedures to analyze costs and rates at a level meaningful to the service unit being provided and the recipient of the service. At a minimum, MSHN will perform biennial market rate analysis studies by comparing other PIHP rates, Medicaid Health Plan fee schedules, and commercial insurance reimbursement amounts for like services. MSHN will also consider historical provider arrangements meeting specified costing requirements to ensure best value for all services.
- B. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the cost analysis and rate setting process. At a minimum, these requirements shall include the specific information and timeline for reporting to MSHN. All cost analysis and rate setting procedures will be uniformly applied to all MSHN CMHSP participants.

#### **Risk Analyses, Risk Modeling and Underwriting**

- A. MSHN shall develop a risk management plan that addresses the various risks involved with managing services to eligible consumers as determined by federal and state laws and contracts.
- B. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the risk analysis procedures developed. At a minimum, these requirements shall indicate the extent that CMHSP Participants and/or subcontractors hold risk related to the populations they serve, and any financial incentives or terms related to the transfer of risk.

#### **Insurance, Re-insurance, and Management of Risk Pools**

- A. MSHN shall develop procedures to determine the need for, and to participate in insurance, re-insurance, and risk pools sufficient to mitigate risk, in accordance with the Medicaid Contract, Governmental Accounting Standards Board (GASB) Statement 10 (as amended) and generally accepted accounting principles. MSHN may purchase insurance or self-insure against losses and future funding shortfalls.
- B. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the insurance, re-insurance and management of risk pools.

#### **Supervision of Audit and Financial Consulting Relationships**

- A. MSHN shall develop procedures adequate to ensure supervision of audit/monitoring and financial consulting relationships in the event that these functions are not performed by employees of MSHN.
- B. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the supervision of the audit and financial consulting relationships procedures developed. At a minimum, these requirements shall include the expected interactions/relationship between the audit, financial consultants, and the CMHSP/subcontractor.

#### **Claims Adjudication and Payment**

- A. MSHN shall develop procedures adequate to ensure that claims adjudication and payment are complete, accurate and timely.
  - 1. CMHSP Participants and subcontractors may be contracted on a basis not conducive to claims adjudication and payment (i.e. sub-capitation or net-cost arrangements). When this occurs, the procedures shall include the mechanisms necessary to initiate payment under these arrangements, and a process by which claims will be captured and associated with the payments. This may require individual or aggregate reporting of activity over the course of a fiscal year.
- B. To the extent that claims adjudication and payment functions are delegated to CMHSP Participants and/or subcontractors, the procedures shall include how these functions will be monitored at the CMHSP or subcontractor to ensure compliance with requirements of federal and state laws and contracts, and the Medicaid Provider Manual.
- C. MSHN shall ensure that all contracts and operating agreements with CMHSP Participants and/or other subcontractors include requirements necessary to support the claims adjudication and payment procedures developed. At a minimum, the contract shall specify the required information, and timeframes for reporting to MSHN, and in the case of delegation, shall indicate the claims adjudication and payment functions that are being delegated to the CMHSP Participant or subcontractor.

### **Audits**

- A. MSHN shall develop procedures to adequately accommodate audits of the PIHP to ensure completion in accordance with federal and state laws and contracts. These audits may include, but are not limited to, audits performed by the State of Michigan Office of Inspector General, the Michigan Department of Health and Human Services, other federal and state departments and agencies, and independent auditors.
- B. The Chief Financial Officer (CFO) of MSHN shall prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America. These financial statements shall be subjected to an audit in accordance with generally accepted government auditing standards issued by the U.S. Government Accountability Office. The financial statements, with the audit opinion and any additional letters of comments and recommendations (the reporting package), shall be completed in sufficient time to be delivered to all federal, state and local agencies in accordance with agreed timelines, but no later than six months after the end of the fiscal year. The reporting package will be presented to the MSHN Board and remitted to the CMHSP Participants at the next meeting following completion.
- C. MSHN shall ensure that all contracts and operating agreements with CMHSPs and/or other subcontractors include requirements necessary to support the audit procedures developed. At a minimum, the requirements shall include the specific information to be provided and timelines for reporting to MSHN.

### **Applies to:**

- ☐ All Mid-State Health Network Staff Selected MSHN Staff, as follows:
- ☐ MSHN's CMHSP Participants: ☒ Policy Only ☐ Policy and Procedure

### **Definitions:**

CFO: Chief Financial Officer

CMHSP: Community Mental Health Service Program

GASB: Governmental Accounting Standards Board

MDHHS: Michigan Department of Health & Human Services

MSHN: Mid-State Health Network

PIHP: Prepaid Inpatient Health Plan

### **Other Related Materials:**

Audit Procedure

Capitation Payments and Budget Development Procedure Claims Procedure

Investment Policy Procedure Costing Procedure

Risk Management Procedure MSHN Compliance Plan

### **References/Legal Authority:**

N/A

### **Change Log:**

<b>Date of Change</b>	<b>Description of Change</b>	<b>Responsible Party</b>
11.2013	New Policy	Chief Financial Officer
11.2014	Policy Update	Chief Financial Officer
11.2015	Annual Review	Chief Financial Officer
03.2017	Policy Update	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
01.2025	Biennial Review	Chief Financial Officer