



**Southwest Michigan Behavioral Health Board Meeting
Air Zoo Aerospace & Science Museum
6151 Portage Rd, Portage, MI 49002**

April 11, 2025

9:30 am to 11:30 am

(d) means document provided

Draft: 4/3/25

- 1. Welcome Guests/Public Comment**
- 2. Agenda Review and Adoption (d) pg.1**
- 3. Financial Interest Disclosure Handling**
 - None Scheduled
- 4. Consent Agenda (2 minutes)**
 - a. March 14, 2025 SWMBH Board Meeting Minutes (d) pg.3
 - b. March 12 and March 26, 2025 Operations Committee Meeting Minutes (d) pg.7
 - c. March 7, 2025 Board Finance Committee Meeting Minutes (d) pg.19
- 5. Audits- Fiscal Year 2024 External Audit (Christina Schaub of Roslund, Prestage & Company)(10 minutes) (d) pg.21**
- 6. Fiscal Year 2025 Year to Date Financial Statements and Cash Flow Analysis (15 minutes)**
 - a. G. Guidry (d) pg.56
 - b. Operations Committee
- 7. Required Approvals (0 minutes)**
 - None scheduled
- 8. Ends Metrics Updates (*Requires motion) (0 minutes)**

Proposed Motion: Is the Data Relevant and Compelling? Is the Executive Officer in Compliance? Do the Ends need Revision?

 - None scheduled
- 9. Board Actions to be Considered (15 minutes)**
 - a. Election of Officers
 - b. Sub Ends 2 and 4 (B. Casemore) (d) pg.75
 - c. Sub Ends 1 and 5 (B. Casemore) (handout)
 - d. May 9th Board Planning Session (d) pg.81
- 10. Board Policy Review (5 minutes)**

Proposed Motion: Is the Board in Compliance? Does the Policy Need Revision?

 - BG-010 Board Committee Principles (d) pg.82

Executive Limitations Review (30 minutes)

Proposed Motion: Is the Executive Officer in Compliance with this Policy? Does the Policy Need Revision?

- a. BEL-001 Budgeting (d) pg.99
- b. BEL-002 Financial Conditions (d) pg.101
- c. BEL-003 Asset Protection (d) pg.103
- d. BEL-004 Treatment of Staff (d) pg.105
- e. BEL-005 Treatment of Plan Members (d) pg.106
- f. BEL-006 Investments (d) pg.107
- g. BEL-007 Compensation and Benefits (d) pg.108
- h. BEL-008 Communication and Counsel (d) pg.110
- i. BEL-009 Global Executive Constraints (d) pg.112
- j. BEL-010 RE 501c3 Representation (d) pg.113

12. Board Education (15 minutes)

- a. **11:15am** Bob Sheenan and/or Alan Bolter of Community Mental Health Association of Michigan (CMHAM)
- b. Governance Policy (S. Radwan)

Communication and Counsel to the Board (5 minutes)

- a. Wakely Letter to MDHHS (B. Casemore) (d) pg.115
- b. Federal Block Grants (B. Casemore)
- c. 2024 Performance Bonus Incentive Program Results (A. Lacey) (d) pg.120
- d. 2024 Customer Satisfaction Survey Results (A. Lacey) (d) pg.126
- e. Michigan Consortium for Healthcare Excellence (B. Casemore) (d) pg.133
- f. MCIS/PCE update (M. Todd)
- g. Public Policy-Legislative Education Initiative Steering Committee Meeting (B. Casemore) (d) pg.136
- h. May Board Policy Direct Inspection – None scheduled

Public Comment

Adjournment

SWMBH adheres to all applicable laws, rules, and regulations in the operation of its public meetings, including the Michigan Open Meetings Act, MCL 15.261 – 15.275.

SWMBH does not limit or restrict the rights of the press or other news media.

Discussions and deliberations at an open meeting must be able to be heard by the general public participating in the meeting. Board members must avoid using email, texting, instant messaging, and other forms of electronic communication to make a decision or deliberate toward a decision and must avoid “round-the-horn” decision-making in a manner not accessible to the public at an open meeting.

**Next Board Meeting
May 9, 2025
9:30 am - 10:15 am**

**Followed by Board Planning Session
10:30 am - 3:00 pm**



Board Meeting Minutes

March 14, 2025

Air Zoo Aerospace & Science Museum, 6151 Portage Rd, Portage, MI 49002

9:30 am-11:30 am

Draft: 3/17/25

Members Present: Sherii Sherban, Tom Schmelzer, Joyce Locke, Edward Meny, Michael Seals, Lorraine Lindsey, Tina Leary, Carol Naccarato

Members Absent: Allen Edlefsen

Guests Present: Brad Casemore, CEO, SWMBH; Mila Todd, Chief Compliance Officer, SWMBH; Garyl Guidry, Chief Financial Officer, SWMBH; Alena Lacey, Director of Quality Management and Clinical Outcomes, SWMBH; Michelle Jacobs, Senior Operations Specialist & Rights Advisor, SWMBH; Ella Philander, Executive Projects Manager, SWMBH; Cathi Abbs, SWMBH Board Alternate; Cameron Bullock, Pivotal; Jeannie Goodrich, Summit Pointe; John Ruddell, Woodlands; Sue Germann, Pines BH; Debbie Hess, Van Buren County CMH; Richard Thiemkey, Barry County CMH; Jeff Patton, ISK; Ric Compton, Riverwood; Susan Radwan, Leading Edge Mentoring; Mike Kenny, NAMI of Southwest Michigan

Welcome Guests

Sherii Sherban called the meeting to order at 9:31 am.

Public Comment

None

Agenda Review and Adoption

- Motion Tom Schmelzer moved to approve the agenda with the addition of Audit Committee nominations. Brad Casemore also noted three handouts for the Board's review.
- Second Michael Seals
- Motion Carried

Financial Interest Disclosure (FID) Handling

None

Consent Agenda

- Motion Joyce Locke moved to approve the February 14, 2025 Board minutes, February 12, and February 26, 2025 Operations Committee Meeting minutes, February 7, 2025 Board Finance Committee Meeting and February 14, 2025 Board Regulatory Compliance Committee Meeting minutes as presented.
- Second Lorraine Lindsey
- Motion Carried

Fiscal Year 2025 Year to Date Financials and Cash Flow Analysis

Garyl Guidry reported as documented, reviewed and noted:

- TANF (Temporary Assistance to Needy Families) eligibles
- DAB (Disabled Aging Blind) eligibles
- HMP (Healthy Michigan Plan) eligibles
- Period 4 financials have a \$8 million deficit with a projected end of Fiscal Year 2025 of \$24 million deficit
- Additional revenue for Autism not enough for projected expenses
- Internal Service Fund (ISF) balance for Fiscal Year 2025 is \$93,000
- Certified Community Behavioral Health Clinics (CCBHC) discussion of revenue, expenses and risks
- Other PIHPs in the State running at a deficit

Garyl covered what is being done regionally to address deficits:

- Reviewing Utilization Management Expenses
- Reviewing decline in Eligibles but same Service Expenses
- MDHHS indicates an 11% rate increase was provided for FY25. When SWMBH compared actual revenues received, our Region has only realized a 2.9% increase for FY25.
- Meetings with (Michigan Department of Health & Human Services) MDHHS
- SWMBH budgeted Administrative expense is 1.1 million lower than projected
- Brad Casemore added meetings, advocacy and other issues that are ongoing to address revenue and expenses regionally including a mid-year budget adjustment and expense reduction report

Discussion followed. Board requested an Action Plan by May or April.

Operations Committee Update

Jeannie Goodrich distributed a handout and reported as documented.

PCE update - Mila Todd noted:

- SWMBH released the Request for Information (RFI) to PCE and PCE submitted its response by the due date.
- SWMBH will check PCE references the week of 3/17/25 per due diligence on procurement processes and review potential cost savings. The anticipated cost would require a recommendation to move to PCE to come back to the SWMBH Board of Directors, per Board Policy.

Required Approvals

Financial Management Plan

Garyl Guidry reported as documented.

Motion Tom Schmelzer moved to approve the Financial Management Plan revisions as documented.

Second Edward Meny

Motion Carried

Financial Risk Management Plan

Garyl Guidry reported as documented.

Motion Carol Naccarato moved to approve the Financial Risk Management Plan revisions as documented.

Second Joyce Locke
Motion Carried

Cost Allocation Plan

Garyl Guidry reported as documented.

Motion Michael Seals moved to approve the Cost Allocation Plan revisions as documented.
Second Edward Meny
Motion Carried

Ends Metrics Updates

None scheduled

Board Policy Review

BG-004 Board Ends and Accomplishments

Sherii Sherban reported as documented and asked for Susan Radwan's input on red-line revisions. Susan Radwan shared her thoughts.

Motion Edward Meny moved to approve the revisions to BG-004 Board Ends and Accomplishments as presented.
Second Michael Seals
Motion Carried

BG-006 Annual Board Planning Cycle

Sherii Sherban reported as documented and asked for Susan Radwan's input on red-line revisions. Susan Radwan shared her thoughts.

Motion Edward Meny moved to approve the revisions to BG-006 Annual Board Planning Cycle as presented.
Second Carol Naccarato
Motion Carried

Board Actions to be Considered

Ends Interpretations and Metrics

Brad Casemore reviewed Sub Ends 2 and 4 Interpretations as documented. Discussion followed.

Motion Lorriane Lindsey moved to table the End Interpretations until a revised document can be presented to the Board at the April meeting.
Second Edward Meny
Motion Carried

Board Audit Committee

Sherii Sherban recommended the Board Finance Committee serve as the Board Audit Committee and asked if any other Board Members would like to join. Tina Leary stated that she would like to join the Board Audit Committee. Board agreed.

Executive Limitations Review

None

Board Education

SWMBH Policy Governance Check In

Susan Radwan recommends the SWMBH Board revise policies to become compliant with Governance Structure per the SWMBH Bylaws. Susan will email SWMBH Board “uninterrupted” policies to Board members.

Communication and Counsel to the Board

MDHHS - PIHP Announcement

Brad Casemore reported as documented. Discussion followed.

House Appropriations Sub-Committee Meeting Testimony

Brad Casemore reported as documented. Discussion followed.

Fiscal Year 2024 Hospital Services Advisory Group External Quality Review-Compliance Review Report Summary

Brad Casemore noted the report in the packet for the Board’s review.

Fiscal Year 2024 Program Integrity Compliance Report

Brad Casemore noted the report in the packet for the Board’s review.

May 9, 2025 Board Planning Session Agenda

Brad Casemore noted the report in the packet for the Board’s review and stated a revised agenda would be presented at the April Board meeting.

April Officer Elections

Sherii Sherban asked for Board recommendations and/or a nominating committee for Officer Elections next month. The Board had no input.

April Board Policy Direct Inspection

BEL-001 Budgeting (Board Finance Committee), BEL-002 Investments (Board Finance Committee). Then to Board.

Public Comment

Mike Kenny commented that he has not attended a SWMBH Board meeting for a few years and that meetings now are very different. Mike stated that he appreciates all the work that SWMBH has done.

Adjournment

Motion Lorraine Lindsey moved to adjourn at 12:20pm
Second Michael Seals
Motion Carried

Date:	3/12/25
Time:	9:00 am – 2:00 pm
Facilitator:	Jeannie
Minute Taker:	Cameron
Meeting Location:	SWMBH, 5250 Lovers Lane, Suite 200, Portage, MI 49002 Click here to join the meeting

Present: Rich Thiemkey (Barry) John Ruddell (Woodlands) Brad Casemore (SWMBH)
 Ric Compton (Riverwood) Jeff Patton (ISK) Mila Todd (SWMBH)
 Sue Germann (Pines BHS) Cameron Bullock (Pivotal) Garyl Guidry (SWMBH)
 Jeannie Goodrich (Summit) Debbie Hess (Van Buren)

Visitors: Tim Brown, Amy Rottman, Emily Versteeg, Dave Ballmer, Tina Boyer, Roger Pierce, Kelly Jenkins

Version: 3/5/25

9:00am-10am		
Agenda Topics:	Discussion Points:	Minutes:
1. Agenda Review & Adoption		
2. Prior Minutes – done		
3. Board Sub Ends 2 and 4 Interpretations (d)		<ul style="list-style-type: none"> • Discussion was had.
4. DHHS announcement regarding PIHP procurement		<ul style="list-style-type: none"> • Conversation was had regarding the recent announcement and what how it pertains to future SWMBH
5. PCE Update		<ul style="list-style-type: none"> • PCE sent a Response to RFI – reviewing internally. • Reaching out to References provided.

		<ul style="list-style-type: none"> Internal timeline decision is expected to be made by June – then needs to make a recommendation to Board.
6. 2024 PBIP results if available		<ul style="list-style-type: none"> No final report from the state at this point in time.
7. Operating Agreement Review and Self-Evaluation (due to Board in June)		<ul style="list-style-type: none"> Operating Agreement Review and Self Evaluation – Questions need to come back to Ops comm, will be presented at next meeting for CEO’s to review and provide feedback.
BREAK 10:00am – 10:15am		
10:15am-2:00pm	Discussion Points:	Minutes:
1. Review Period 4 financials including year-end 2025 revenue/expense/margin projections		<ul style="list-style-type: none"> Balance sheet in Raw Format presented to Ops Comm Eligibility outlook: Eligibility appears to have finally leveled off. Currently only seeing a 3.4% increase in rates, while being projected by Milliman an statewide 11% increase. This based on geographical factors, as well as lower eligibles in SWMBH region. This is true across the region. \$106 million revenue, \$112 million cost for P4, \$93k of ISF to be rolled over for FY 25.

		<ul style="list-style-type: none"> • Current \$8 million in Medicaid deficit, and projected to be \$26.1 Million • Jeff recommends that the state be made aware of the current \$93k ISF funding reserves. • Autism code rate adjustment (97153) that were approved in through the state is estimated to cost roughly \$3.3 million, but expected reimbursements are only estimated to be roughly \$1.6 million– Several concerns that cannot pass through money without reassurances to get reimbursed, cash flow concerns. <ul style="list-style-type: none"> ○ 373,808 units from 11/1-2/28 ○ SWMBH to connect with the state to inform of the cash flow issue. SWMBH CEO's are currently holding off on passing through until able to have reimbursements. Mila/Garyl working together to have a working draft Memo to MDHHS to outline service encounters and funding shortfalls and be able to provide information to CEO's
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and then move forward.

- 97153 HM/HN modifier currently paying 14.03
- 11/1- 1/31/25 334,573 units
- 2.47 increase to \$16.50 total expense \$802,975.20
- Recently received roughly 450k. Already underfunded by 300k.
- Send letter to Medicaid Behavioral Health Subcommittee on Appropriations
-
- Current message to providers SWMBH CEOs consensus: SWMBH to create a regional letter, that can be used in conjunction with state advocacy to be used with regional providers.
- Still requesting SWMBH Central to be broken out
 - Claims needs to be broken down by

		<p>Medicaid, HMP, Block Grant and if they are running surpluses and deficits. Specifically the revenue.</p> <ul style="list-style-type: none"> • Still working out SWMBH Balance sheet
2. Review Richard C. service use document (can we get updated version?)		<ul style="list-style-type: none"> • Not yet updated with FY 24 numbers. Needs to be updated for better use for cost savings efforts.
3. Review Garyl's service use documents		<ul style="list-style-type: none"> • Still needs to be broken down by contracted vs non contracted. • Codes utilized would be helpful as well so we can better understand apples to apples. • Still needs updated.
4. Review recent rate setting letter financial impacts		<ul style="list-style-type: none"> • ABA Rate increase from Milliman.
5. Reveal and brainstorm expense reduction efforts and plans, e.g., reduce provider rates, revise service packages, outlier management, preferred provider programs, alternative payment methods, value-based purchasing, benchmark to Medicare rates for similar services, etc.		<ul style="list-style-type: none"> • Need Revised budget. Several CMH CEO's suggest it goes to SWMBH Board so that CMH budgets can be revised as necessary, and have accurate expectations regionally, and not 90/10 as presented and approved by the SWMBH board. • Brad to take to SWMBH Board meeting by May a 6 month revised budget. Revised budget to come to Ops Comm to review, to

		<p>include 8 CMH's and SWMBH.</p> <ul style="list-style-type: none"> • Garyl to send out timeline for revised budget and expenditure.
6. Create specific agency expense target commitments		
7. Reveal and brainstorm revenue maximization tactics, e. g. legislative advocacy, executive branch advocacy, county Commission advocacy, etc. geographic factor specific efforts, e.g., which fields in BHTEDS and which diagnoses are most impactful.		<ul style="list-style-type: none"> • SWMBH to contact Wakely to provide an alternative rate setting to Milliman to use as a defensive position • Reviewed Memo sent by Mila for possible revenue increase to be disseminated to CMH's for action items completion – to be implemented soon, potential to increase future revenues. • Provide feedback to Resolution Mila by Thursday 3/20/25 • MDHHS eligibility for DAB/TANF and other appropriate categories.
8. Develop CMH specific revenue projections		N/A
9. Identify needed management information		<ul style="list-style-type: none"> • SWMBH to ask Rehmann for FY 24 update to information provided already. We currently have FY 23.
10. Prepare talking points for Ops Comm to Board 3/14		<p>Ops Comm Report:</p> <ul style="list-style-type: none"> • Reviewed available reports, still need a breakout via direct vs contracted, need

		<p>updated reports at CPT code level.</p> <ul style="list-style-type: none"> • Discussion was had on cost containments from CMH's. • Discussion was had on future revenue maximation for next FY's, specifically entity specific factors. These are not immediate revenue maximizations. <p>CEO Ask</p> <ul style="list-style-type: none"> • Rehmann contract • PCE • Contract with Wakely to do an actuarial analysis.
11. Needed resources and action steps and assignments to Committees		<ul style="list-style-type: none"> • N/A
12. SWMBH Finance Status Follow-Up		<ul style="list-style-type: none"> • Reviewed MDHHS response to questions asked. • Advocate for Physician E&M codes
2:00pm-3:00pm CMH CEO Only		
Next Meeting March 26 March Facilitator – Jeannie April Facilitator – Jeff May Facilitator-Sue		<ul style="list-style-type: none"> • Self-Evaluation/Ops Comm Questions

Date:	3/26/25
Time:	9:00 am – 11:00 am
Facilitator:	Jeannie
Minute Taker:	Cameron
Meeting Location:	SWMBH, 5250 Lovers Lane, Suite 200, Portage, MI 49002 Click here to join the meeting

- Present:** Rich Thiemkey (Barry) John Ruddell (Woodlands) Brad Casemore (SWMBH)
 Ric Compton (Riverwood) Jeff Patton (ISK) Mila Todd (SWMBH)
 Sue Germann (Pines BHS) Cameron Bullock (Pivotal) Garyl Guidry (SWMBH)
 Jeannie Goodrich (Summit) Debbie Hess (Van Buren)

Version 3/20/25

9:00 am – 11:00 am		
Agenda Topics:	Discussion Points:	Minutes:
1. Agenda Review & Adoption (d)		
2. Prior Meeting Minutes Review (d)		<ul style="list-style-type: none"> • No objection, and the minutes were approved.
3. Financial Stability a. Period 5 financials including 2025 revenue, expense and margin projections (if available) (d) b. SUE FY 2024 by Rehmann and action plan with UM c. Wakely Update (d) d. ABA funding shortfall and DHHS communications (d) e. State/Milliman Meeting Updates f. Rehmann financial oversight		<ul style="list-style-type: none"> • P05 – Not quite ready. Statement of Net positions, balance statements etc. will be out later this week for CFO's to review and be ready for the next Ops Comm Meeting. • SCA not required for PIHP per auditors • Projected to finish the FY upside down \$24.8 million. • Eleos expense was taken out in February, lump sum payment.

		<ul style="list-style-type: none"> • Rehman/Sue – Requested updated information for FY • Reached out to Milliman Drive tool to update SWMBH’s information, and couldn’t update in March, but hopefully in April for P3 for the state. The updated SUE with codes will be provided once Milliman updates the drive tool. This will again be broken out via internal and external providers. • Wakely- Nothing Wakely can do for us until the statewide data is available. It should be Available in the next 30-45 days. Already commissioned by MCHS to provide the same information. Will produce an actuarial memo to send to MDHHS. – Proposed to bring Wakely to the next Ops Comm meeting on April 9th preferred, but whichever she is able to attend. Focus for us, is Region 4 specifically. • ABA Funding – Memo sent to the state and providers. A few conversations have been had with providers. Meeting with MDHHS on April 10th. • State Milliman meeting update – April 10th meeting is specifically for Autism. Ops Comm suggests that we need to continue to bring the full
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		<p>amount of debt into focus with the state as the \$1.7 million is only a small portion of our expected \$26 million deficit and underfunding.</p> <ul style="list-style-type: none"> • Rehmann financial oversight - Possibility to work with Rehmann to help with Utilization Management in Region 4, aiming to better contain costs. Ops Comm is willing to have him come in and speak at the next meeting.
4. PCE Update		<ul style="list-style-type: none"> • One reference check has been completed; the others are expected to be completed within the next few weeks. It should be to board by July. Keeping this on the agenda as a standing item.
5. 2024 PBIP results if available (d)		<ul style="list-style-type: none"> • No update.
6. Operations Committee Self Evaluation Questions (d)		<ul style="list-style-type: none"> • Due to the board in June, looking to review questions next meeting, for survey to go out late April, early May.
7. Operating Agreement Review Plan		<ul style="list-style-type: none"> • Due to board in June.
8. FY24 Customer Satisfaction Results (d)		<ul style="list-style-type: none"> • Pivotal pointed out that there are requirements to have CAP/Improvement plans in place for scores when Pivotal scored above average in all categories. • Additional exploration of SWMBH CAPs across all

		<p>departments was agreed upon via Mila/Brad to review who, how, and when a CAP can be issued.</p> <ul style="list-style-type: none"> • Font Size/Reading level was also brought up, as well as additional areas that don't resonate well for CAPs, etc, especially with our looming deficit.
<p>9. Board Sub Ends 1 and 5 Interpretations (d)</p>		<ul style="list-style-type: none"> • Brad presented the interpretations of SubEnds 1 and 5. Brad's formal ask to look at them from now until April 9th, and bring back to discuss prior to SWMBH Board meeting.
<p>10. Next Meeting Agenda April Facilitator – Jeff May Facilitator-Sue June Facilitator-Rich</p>	<ul style="list-style-type: none"> • PCE Update - Brad • Financial Update – Garyl • Ops Comm Self Eval – review questions and bring back to the next meeting- Brad • Operating Agreement - Brad • Sub Ends 1 and 5- Brad 	

11. 11:00 am-12:00 pm CMH CEOs		



Board Finance Committee Meeting Minutes

March 7, 2025

SWMBH, 5250 Lovers Lane, Suite 200, Portage, Michigan 49002

1:00-2:00 pm

Draft: 3/10/25

Members Present: Tom Schmelzer, Michael Seals, Carol Naccarato

Guests: Amy Rottman, Jeff Patton

Members Absent: None

SWMBH Staff Present: Brad Casmore, CEO, Garyl Guidry, Chief Financial Officer, Michelle Jacobs, Senior Operations Specialist and Rights Advisor

Review Agenda

Motion Carol Naccarato moved to approve the agenda as presented.
Second Michael Seals
Motion Carried

Central Topics

Review prior meeting minutes

Motion Carol Naccarato moved to approve the minutes as presented.
Second Michael Seals
Motion Carried

Review SWMBH YTD financial statements

Fiscal Year 2025-Garyl reviewed eligibles and YTD financial statements noting revenue, expenses, and projections for 2025. Funding streams that SWMBH is responsible for have been added to the financials. Group discussed eligibles and percentage change that is not adequate for the region. Jeff Patton explained the difference between eligibles and clients. Fiscal Year 2025 period 4 reflects a deficit of \$8.0 million with a year-end deficit projection of \$24 million. Garyl stated that MDHHS said there is a possibility of a May mid-year rate adjustment. Amy Rottman commented that CCBHC cannot be used for capitation rate deficits and discussed CMH receivables and risk balances. Garyl summarized capitation deficits report.

Fiscal Year 2024 is projected to end with a \$34 million deficit, utilizing \$23 million in Internal Service Fund (ISF) which will leave an ISF balance of \$93,000. Fiscal Year 2025 projections are a 24.5 million deficit with an ISF of zero. Additional dollars were received on March 1 for Autism but will not be enough for projected expenses.

Garyl noted what the region is working on regarding finances:

- Ongoing communication/meetings with MDHHS
- SWMBH met with ISK yesterday regarding data reporting
- SWMBH central is under YTD budget by 26%

Group discussed what can be done as a region.

SWMBH Check Registers

Garyl reviewed the checks registers as documented.

SWMBH Cash Flow Analysis

Garyl reviewed current forecast of Cash Flow Analysis. Discussion followed.

Capitation Deficit Report

Garyl reviewed report. Amy commented that the report is useful and provides another way to view deficits. Discussion followed. The Committee requests that bullet point explanations and ramifications of finances be presented to the Board.

Board Audit Committee

Garyl discussed and Brad will bring this topic to the March Board for their consideration.

Adjournment Michael Seal

Second Carol Naccarato

Meeting adjourned at 2:05 pm

Southwest Michigan Behavioral Health

Financial Statements

September 30, 2024



Southwest Michigan Behavioral Health
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September 30, 2024

Independent Auditor’s Report

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Separate Cover



Independent Auditor's Report

To the Members of the Board
Southwest Michigan Behavioral Health
Portage, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Southwest Michigan Behavioral Health (the PIHP), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the PIHP's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the PIHP, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PIHP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PIHP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PIHP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PIHP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, on our consideration of the PIHP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PIHP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PIHP's internal control over financial reporting and compliance.

Sincerely,



Roslund, Prestage & Company, P.C.
Certified Public Accountants

March 25, 2025

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



SOUTHWEST MICHIGAN BEHAVIORAL HEALTH (SWMBH)
MANAGEMENT DISCUSSION & ANALYSIS FISCAL YEAR 2024
FOR THE PERIOD October 1, 2023 – September 30, 2024

This narrative offers readers of Southwest Michigan Behavioral Health’s external audit an overview and analysis of its operational and financial activities for the 12-month period ended September 30, 2024.

The information contained in management’s discussion and analysis (MD & A) should be considered in conjunction with financial statements.

BACKGROUND:

Southwest Michigan Behavioral Health (SWMBH) is a Michigan governmental agency created as a Regional Entity under 330.1204(b) of the Michigan Mental Health Code. SWMBH became the regional Prepaid Inpatient Health Plan (PIHP) for Medicaid Specialty Services and Supports and other related payer contracts on January 1, 2014. SWMBH became the Substance Abuse Coordinating Agency for the eight countyⁱ region on February 1, 2014.

SWMBH has a governing board comprised of one appointee from each Participant Community Mental Health Services Program (CMHSP) Boardⁱⁱ. SWMBH is a separate legal entity from the CMHSPs. Per MCL 300.1100a (22), an Inter-governmental Contract was executed on December 10, 2013 and a Substance Abuse Oversight Policy Board established on January 20, 2014. This agreement was recently renewed by all nine parties – SWMBH and each of the eight county commissions.

SWMBH is responsible for managing publicly funded behavioral health benefits in the counties of Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph, and Van Buren. SWMBH holds both capitated and cost-based reimbursement contracts with the Michigan Department of Health and Human Services (MDHHS) for Medicaid Managed Specialty Supports and Services, Healthy Michigan Plan, Habitation Supports Waiver, Opioid Health Home, Certified Community Behavioral Health Clinics, Block Grant & and PA2 Substance Use Disorder Prevention and Treatment.

SWMBH contracts with and funds each Participant CMH with a Medicaid sub-capitation style, interim payment, cost-settlement model for most of these contracts, though not all. SWMBH is the risk-bearer for Medicaid funds. SWMBH maintains a substance use disorder provider network with per-diem or fee-for-service contracts.

SWMBH’s duties include:

- Enter contracts to provide services to plan members.
- Fulfill its benefits management PIHP role to MDHHS, including assuring delegated managed care functions are sound,

- Manage mental health and substance abuse funds provided to the organization either directly or via sub-contract.
- Assure that plan members are satisfied with their health care services.
- Assure that the State is satisfied with the performance of SWMBH.
- Remove barriers to seeking behavioral and primary care services.
- Assure uniformity of benefit across the region
- Assure plan members are aware of services and those who seek services are seen at or above stated standards.
- Assure plan members utilizing services experience improvements in their quality of life.
- Assure administrative and service efficiencies are achieved.
- Assure compliance to all applicable regulatory and contractual requirements for itself, its participant CMHs and its contracted providers.

Using This Annual Report

The annual report consists of four parts:

1. Management's Discussion & Analysis (MD&A)
2. Basic Financial Statements
3. Notes to the Financial Statements

The MD&A provides management's view of the current performance and financial results and expectations about the future.

The financial statements include the Statement of Net Position (often referred to as the Balance Sheet) which reflects the balance in the assets, liabilities, and net position of SWMBH as of September 30, 2024. The net position is the result of the assets minus the liabilities, reflecting the financial health or position of the organization.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the revenues, expenses and increase or decrease in the net position of SWMBH because of its activities during the period being reported.

The Statement of Cash Flows shows the sources from which funds were received, and how they were used over the course of the time being reported.

SWMBH uses the accrual method of accounting, meaning that all the period's revenues and expenses are considered regardless of when cash is received or paid. Revenues are recognized when earned, and expenses are recognized when incurred, absent instructions to the contrary from MDHHS or GAAP.

FINANCIAL HIGHLIGHTS

SWMBH's financial review will focus on the current year's results. Total assets at September 30, 2024 were \$78,136,892 and total liabilities were \$56,391,737. The difference between total assets and liabilities reflects the net revenue from activities of \$21,745,155, interest income on ISF funds of \$683,946 and Medicaid savings interest income of \$852,766.

Total program revenue for the Regional Entity for the period October 1, 2023 through September 30, 2024 was as follows:

State Funding:	\$	387,478,004
Federal Grants:	\$	9,371,448
Local Funding:	\$	2,591,757
Total Revenues:	\$	399,441,209

Specialty Managed Care Services Internal Service (Risk Reserve) Fund (ISF) is at 0.030%, as of 9/30/2024.

Medicaid Only:

Medical Loss Ratio (MLR):	Actual %	99.2
Admin Cost/Total Cost (ACR):	Actual %	10.6

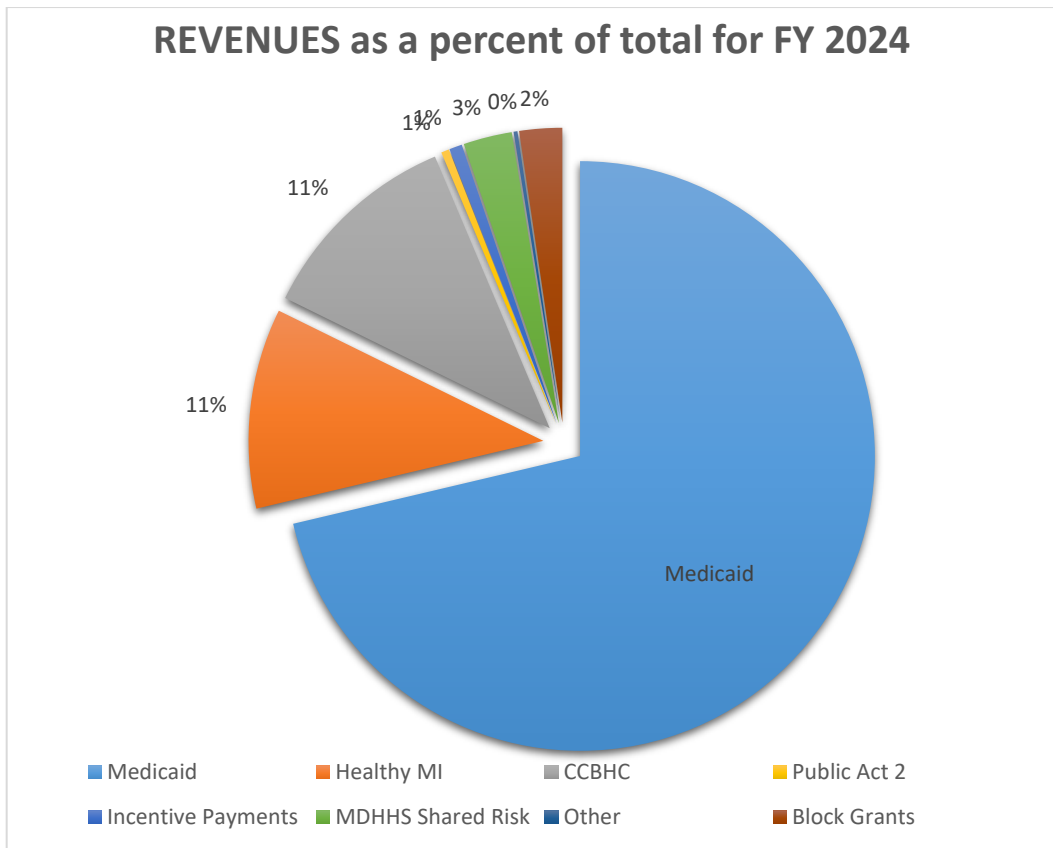
Healthy Michigan Only:

Medical Loss Ratio (MLR):	Actual %	107.7
Admin Cost/Total Cost (ACR):	Actual %	8.7

CCBHC Only:

Medical Loss Ratio (MLR):	Actual %	87.8
Admin Cost/Total Cost (ACR):	Actual %	2.5

ANALYSIS OF FINANCIAL POSITION & OPERATING RESULTS:



Revenue by program is reflected in the chart above and as follows:

State & Local Funding:

Medicaid	\$ 284,829,131	71%
Healthy MI	\$ 43,821,258	11%
CCBHC	\$ 45,370,548	11%
Public Act 2	\$ 1,739,237	0%
Incentive Payments	\$ 2,809,554	1%
MDHHS Shared Risk	\$ 10,647,513	2%
Other	\$ 852,520	0%

Federal Grants:

Block Grants	\$ 9,371,448	2%
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Total Revenue: \$ 399,441,209 100%

ANALYSIS OF BALANCES & TRANSACTIONS OF INDIVIDUAL FUNDS:

SWMBH receives funds from the federal and state governments and contracts with local Community Mental Health Service Providers (CMHSPs) and other providers to provide services for eligible beneficiaries. Additionally, each participant CMHSP provides to SWMBH delegated managed care functions within their county service area. The funds are maintained for the following programs:

- Medicaid Specialty Supports and Services including Habitation Supports Waiver (HSW)
These programs provide a comprehensive array of specialty mental health and substance abuse services for eligible beneficiaries.
- Substance Abuse/Block Grant/PA2
Provides for the administration and coordination of substance use disorder (SUD) services.
- Healthy Michigan Plan
Provides for medically necessary services based on modified gross income eligibility.
Autism benefits, provides for the coordination of services to children diagnosis of autism, these funds are not included in the monthly capitation payment from MDHHS.

CAPITAL ASSET & LONG-TERM DEBT ACTIVITY:

Southwest Michigan Behavioral Health does not own the land or the buildings from which it operates. It also has no long-term debt.

As of September 30, 2024, SWMBH has the following capitalized assets which consist of:

Vehicles:	\$	36,314
Managed Care Software	\$	796,755
Right to use assets	\$	1,229,399
Accumulated Depreciation	\$	(1,280,971)
Total (Net) Capital Assets	\$	<u>781,498</u>

There was no long-term debt incurred during the past year.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Fiscal year 2024 was financially difficult for SWMBH and the public behavioral health system in general. SWMBH finished the year with a \$34,296,939 Medicaid deficit and entry into the state's shared risk corridor in the amount of \$10,647,513 after utilizing virtually all our Internal Service Fund which holds just \$93,802 at fiscal year-end. MDHHS was formally informed of this in April 2024. Throughout the year we performed multiple analyses and held three joint meetings with MDHHS and Milliman the state's actuary.

Multiple factors contributed to this situation chief among them under-estimated Medicaid capitation revenues combined with elevated expenses compounded over several years.

Serious declines in Medicaid redeterminations, eligible and related revenues.

Double digit inflation in healthcare staffing and other costs.

Pent up previously existing and new need and demand that emerged and remains after the COVID-19 pandemic Public Health Emergency.

Cessation of federal American Rescue Plan and other resource infusions during the Public Health Emergency period.

The number of individuals served by SWMBH has continued to increase in 2025 over 2024 resulting in increased costs.

MDHHS has shifted the cost of caring for individuals experiencing the most acute need closing and limiting admissions to the state hospitals. This has shifted the cost of care from General Fund to Medicaid in millions of dollars and resulted in higher demand for community inpatient psychiatric hospitals at rates three to four times higher than state hospital rates.

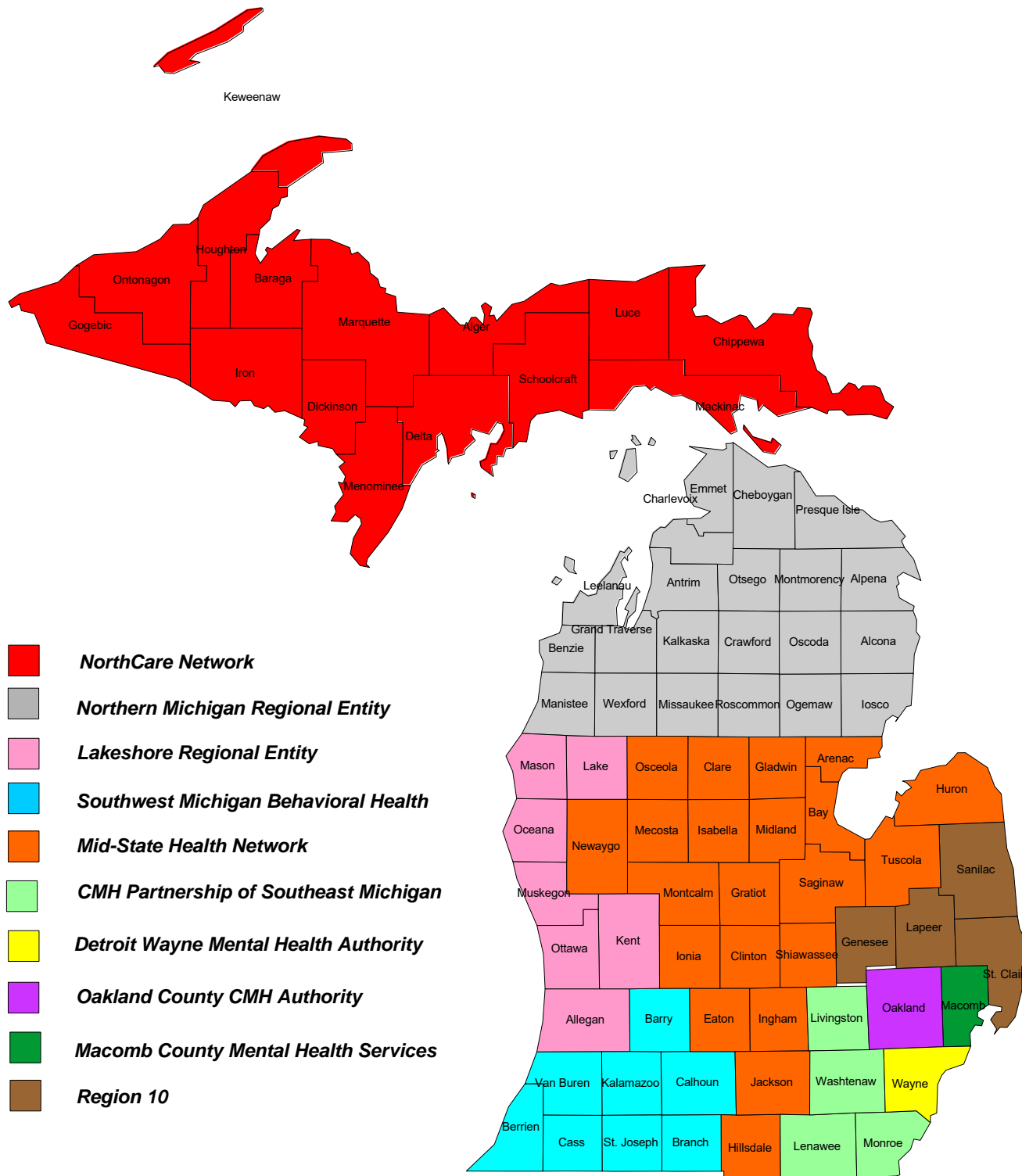
The Certified Community Behavioral Health Clinic (CCBHC) model which applied to six of eight CMHs in FY 2024 significantly shifts Medicaid funds from SWMBH to the CCBHC CMHs complicating risk management and cash flow for SWMBH. In FY 2024 the gross Medicaid shift to CCBHC CMHs was \$37,238,365 with the net financial effect \$10,489,741 of surplus funds retained by the CCBHC. The surplus retained is for future CCBHC risk management.

Regardless, SWMBH concerted efforts continued in regional and central office improvements and efficiencies including technology, provider clinical and administrative support, and SWMBH staff retention.

ⁱ Map of Michigan's Regional Entities

ⁱⁱ 2023 SWMBH Board Member Roster

Michigan PIHP Map





2024 Board Member Roster

Barry County

- Lorraine Lindsey
- Bob Becker (Alternate)

Berrien County

- Edward Meny
- Nancy Johnson (Alternate)

Branch County

- Tom Schmelzer – Vice-Chair
- Jon Houtz (Alternate)

Calhoun County

- Sherii Sherban - Chair
- Kathy-Sue Vette (Alternate)

Cass County

- Louie Csokasy
- Jeanne Jourdan (Alternate)

Kalamazoo County

- Erik Krogh
- Karen Longanecker (Alternate)

St. Joseph County

- Carole Naccarato - Secretary
- Cathi Abbs (Alternate)

Van Buren County

- Tina Leary
- Angie Dickerson (Alternate)

BASIC FINANCIAL STATEMENTS



Southwest Michigan Behavioral Health
Statement of Net Position
September 30, 2024

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Current assets			
Cash and cash equivalents - unrestricted	\$ 29,837,184	\$ -	\$ 29,837,184
Cash and cash equivalents - restricted	351,956	8,692,278	9,044,234
Accounts receivable	47,125	-	47,125
Due from other governmental units	38,439,764	-	38,439,764
Due from other funds	8,598,475	-	8,598,475
Prepaid expenses	80,890	-	80,890
Total current assets	77,355,394	8,692,278	86,047,672
Noncurrent assets			
Capital assets being depreciated, net	781,498	-	781,498
Total assets	78,136,892	8,692,278	86,829,170
Current liabilities			
Accounts payable	698,969	-	698,969
Accrued payroll and benefits	136,913	-	136,913
Due to other governmental units	48,295,693	-	48,295,693
Due to other funds	-	8,598,475	8,598,475
Unearned revenue	6,144,453	-	6,144,453
Compensated absences, due within one year	52,793	-	52,793
Direct borrowing, due within one year	136,727	-	136,727
Total current liabilities	55,465,548	8,598,475	64,064,023
Noncurrent liabilities			
Compensated absences, due beyond one year	299,163	-	299,163
Direct borrowing, due beyond one year	627,026	-	627,026
Total noncurrent liabilities	926,189	-	926,189
Total liabilities	56,391,737	8,598,475	64,990,212
Net position			
Net investment in capital assets	17,745	-	17,745
Restricted for Medicaid risk management	-	77,551	77,551
Restricted for Healthy Michigan risk management	-	16,252	16,252
Restricted for Performance Bonus Incentive Pool	3,470,877	-	3,470,877
Unrestricted	18,256,533	-	18,256,533
Total net position	\$ 21,745,155	\$ 93,803	\$ 21,838,958

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

	Enterprise Fund	Internal Service	
	Mental Health Operating	Medicaid Risk Reserve	Total Proprietary Funds
Operating revenues			
State and federal funding			
Medicaid	\$ 284,829,131	\$ -	\$ 284,829,131
Healthy Michigan	43,821,258	-	43,821,258
CCBHC	45,370,548	-	45,370,548
Incentive payments	2,809,554	-	2,809,554
MDHHS risk corridor	10,647,513	-	10,647,513
State and federal grant revenue	9,371,448	-	9,371,448
Total State and Federal funding	396,849,452	-	396,849,452
Local funding			
Public Act 2 funding	1,739,237	-	1,739,237
Local match drawdown	852,520	-	852,520
Total local funding	2,591,757	-	2,591,757
Total operating revenues	399,441,209	-	399,441,209
Operating expenses			
Funding for affiliate partners			
Barry County Community Mental Health	15,175,988	-	15,175,988
Kalamazoo Community Mental Health	110,142,915	-	110,142,915
Pines Behavioral Health	19,482,568	-	19,482,568
Riverwood Center	64,076,199	-	64,076,199
St. Joseph Community Mental Health	26,905,957	-	26,905,957
Summit Pointe	66,254,250	-	66,254,250
Van Buren Community Mental Health	32,292,142	-	32,292,142
Woodlands Behavioral Healthcare Network	21,747,281	-	21,747,281
PBIP funding for affiliate partners	3,052,737	-	3,052,737
CCBHC funding for affiliate partners	11,443,568	-	11,443,568
Total funding for affiliate partners	370,573,605	-	370,573,605
Contract expenditures			
Contractual services	24,379,262	-	24,379,262
IPA and HRA taxes	18,126,566	-	18,126,566
Local match drawdown	852,520	-	852,520
Total contract expenditures	43,358,348	-	43,358,348
Administrative expenses			
Salaries and contracted personnel	5,937,328	-	5,937,328
Fringe benefits	1,891,344	-	1,891,344
Board	5,427	-	5,427
Community education	179,501	-	179,501
Depreciation	165,291	-	165,291
Furniture and small equipment	430,566	-	430,566
Insurance	26,325	-	26,325
IT and Consulting services	577,286	-	577,286
Lease	23,259	-	23,259
Legal and professional	219,372	-	219,372

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2024

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Maintenance and custodial	\$ 21,471	\$ -	\$ 21,471
Meeting and training	131,014	-	131,014
Membership and dues	60,627	-	60,627
Other	(36,139)	-	(36,139)
Staff development and travel	73,479	-	73,479
Supplies	42,221	-	42,221
Utilities	55,010	-	55,010
Total administrative expenses	9,803,382	-	9,803,382
Total operating expenses	423,735,335	-	423,735,335
Operating income (loss)	(24,294,126)	-	(24,294,126)
Non-operating revenues (expenses)			
Investment income	683,946	852,766	1,536,712
Interest expense	(12,902)	-	(12,902)
Non-operating local expense	(148,520)	-	(148,520)
Total non-operating revenues (expenses)	522,524	852,766	1,375,290
Transfers			
Transfer in (out)	23,649,426	(23,649,426)	-
Total transfer in (out)	23,649,426	(23,649,426)	-
Change in net position	(122,176)	(22,796,660)	(22,918,836)
Net position, beginning of year			
Beginning as previously presented	22,263,884	22,493,910	44,757,794
2023 compliance examination adjustments	(396,553)	396,553	-
Beginning as restated	21,867,331	22,890,463	44,757,794
Net position, end of year	\$ 21,745,155	\$ 93,803	\$ 21,838,958

Southwest Michigan Behavioral Health
Statement of Cash Flows
For the Year Ended September 30, 2024

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Cash flows from operating activities			
Receipts from the State and other governments	\$ 400,527,442	\$ -	\$ 400,527,442
Payments to employees	(7,956,802)	-	(7,956,802)
Payments to affiliates and other governments	(414,157,288)	-	(414,157,288)
Payments to suppliers and providers	(1,635,617)	-	(1,635,617)
Net cash provided by operating activities	(23,222,265)	-	(23,222,265)
Cash flows from capital and related financing activities			
Acquisition of capital assets	(756,459)	-	(756,459)
Payment of direct borrowing	594,888	-	594,888
Payment of interest	(12,902)	-	(12,902)
Net cash provided by capital and related financing activities	(174,473)	-	(174,473)
Cash flows from noncapital financing activities			
Payments from/to other funds	14,182,054	(14,182,054)	-
Payments for non-operating local expense	(148,520)	-	(148,520)
Net cash provided by noncapital financing activities	14,033,534	(14,182,054)	(148,520)
Cash flows from investment activities			
Investment income	683,946	852,766	1,536,712
Net cash provided by investment activities	683,946	852,766	1,536,712
Net change in cash and cash equivalents	(8,679,257)	(13,329,288)	(22,008,545)
Cash and cash equivalents, beginning of year	38,868,397	22,021,566	60,889,963
Cash and cash equivalents, end of year	\$ 30,189,140	\$ 8,692,278	\$ 38,881,418
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (24,294,126)	\$ -	\$ (24,294,126)
Depreciation expense	165,291	-	165,291
Changes in assets and liabilities:			
Accounts receivable	714,539	-	714,539
Due from other governmental units	(11,378,382)	-	(11,378,382)
Prepaid expenses	40,464	-	40,464
Accounts payable	133,339	-	133,339
Accrued payroll and benefits	(124,146)	-	(124,146)
Due to other governmental units	11,153,047	-	11,153,047
Unearned revenue	371,694	-	371,694
Compensated absences	(3,985)	-	(3,985)
Net cash provided by operating activities	\$ (23,222,265)	\$ -	\$ (23,222,265)

**NOTES TO THE
FINANCIAL STATEMENTS**



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Southwest Michigan Behavioral Health (the PIHP) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the PIHP.

Reporting Entity

The PIHP was formed by the CMHSP Participants to serve as the prepaid inpatient health plan (“PIHP”) beginning on January 1, 2014 for the 8 counties designated by the Michigan Department of Health and Human Services as Region 4. The CMHSP Participants include Barry County Community Mental Health, Pines Behavioral Health (Branch Community Mental Health), Riverwood Center (Berrien Community Mental Health), Woodlands Behavioral Healthcare Network (Cass County Community Mental Health), Kalamazoo County Community Mental Health (Integrated Services of Kalamazoo), Summit Pointe (Calhoun Community Mental Health), St. Joseph County Community Mental Health (Pivotal), and Van Buren Community Mental Health Authority.

Southwest Michigan Behavioral Health is a regional entity, which was formed pursuant to 1974 P.A. 258, as amended, MCL §330.1204b, as a public governmental entity separate from the CMHSP Participants that established it.

Financial Statement Presentation

Under GASB 34, the PIHP is considered a special purpose government and has elected to present the basic statements as an Enterprise Fund (a type of proprietary fund) which is designed to be self-supporting. Enterprise Funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the PIHP are charges related to serving its customers (including primarily “per member per month” capitation and state and county appropriations). Operating expenses for the PIHP include costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses including investment income and interest expense.

As a general rule, the effect of interfund activity has been eliminated when presenting total proprietary fund activity.

All amounts shown are in U.S. dollars.

Fund Accounting

The accounts of the PIHP are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The PIHP reports the following major enterprise fund:

Mental Health Operating Fund – This fund is used to account for those activities that are financed and operated in a manner similar to private business relating to revenues earned, costs incurred, and/or net income. This fund of the PIHP accounts for its general operations.

In addition, the PIHP reports the following major internal service fund:

Medicaid Risk Reserve Fund – This fund is used to cover the risk associated with the Medicaid Managed Care Specialty Services Program Contract. This contract provides for the use of Department of Health and Human Services funding for the establishment of Internal Service Funds.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment is determined by the applicable basis of accounting and measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*.

The proprietary funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, regardless of the timing of related cash flows. The proprietary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities associated with their activity are included on the statement of net position.

Cash and Cash Equivalents

The PIHP's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable is stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from/to the CMHSPs Participants and the State of Michigan.

Inventories

The PIHP does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets

Capital assets are tangible and intangible assets, defined by the PIHP as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use assets, the measurement of which is discussed in the lessee policy below). Donated capital assets are recorded at estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in process, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the PIHP are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Computers and software	3
Vehicles	5
Right to use – leased building	3

The PIHP reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Accrued Payroll and Benefits

Accrued payroll and benefits relate to salaries and wages earned in September but not paid until October.

Unearned Revenue

The PIHP reports unearned revenue when revenue does not meet either the “measurable” and “available” criteria for recognition in the current period, or when resources are received by the PIHP before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the PIHP has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Compensated Absences

The PIHP’s policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from the PIHP’s service. The liability for such leave is reported as incurred in the financial statements. The liability for compensated absences includes salary related benefits, where applicable.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The PIHP has no items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The PIHP has no items that qualify for reporting in this category.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Lessee

The PIHP is a lessee for a variety of noncancelable leases. The PIHP recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The PIHP recognizes lease liabilities in accordance with the capital asset policy discussed above.

At the commencement of a lease, the PIHP initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the PIHP determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The PIHP uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the PIHP generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the PIHP is reasonably certain to exercise.

The PIHP monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the PIHP will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the PIHP's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Restrictions on Net Position

Mental Health Operating

A portion of the net position has been restricted in the Mental Health Operating fund in order to set aside funds for Medicaid and Healthy Michigan Savings in accordance with the requirements of the Managed Care Specialty Services Program Contract. Funds have also been restricted for Performance Bonus Incentive Pool (PBIP) which must be used for the benefit of the public behavioral health system.

Medicaid Risk Reserve

The PIHP authorized the establishment of an internal service fund. This fund is used to cover the risk associated with Managed Care Specialty Services Program Contract. This contract provides for the use of Michigan Department of Health and Human Services (MDHHS) funding for the establishment of Internal Service Funds. Net position has been restricted in the internal service fund to cover the Medicaid and Healthy Michigan risk associated with Managed Care Specialty Services Program Contract.

MDHHS Revenue

The PIHP serves as the Pre-Paid Inpatient Health Plan for the area that includes Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph and Van Buren Counties. The PIHP contracts directly with the Michigan Department of Health and Human Services (MDHHS) to administer mental health and substance abuse revenues for covered services provided to eligible residents of these counties.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The PIHP utilizes a pooled cash concept for its funds, to maximize its investment program. Income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank’s failure, the PIHP’s deposits may not be returned to it. The PIHP evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The PIHP bank balance was \$37,219,330 and \$1,690,069 of that amount was exposed to custodial credit risk because it was uninsured by FDIC.

A reconciliation of carrying amounts to the basic financial statements follows:

Description	Amount
Cash and cash equivalents - unrestricted	29,837,184
Cash and cash equivalents - restricted	9,044,234
Total cash and cash equivalents	38,881,418

Cash and Cash Equivalents - Restricted

The PIHP has charged to MDHHS for the vested portion of compensated absences as of September 30th. The PIHP holds, in a separate bank account, funds restricted for the payment of the compensated absences as they come due.

Cash and cash equivalents have been restricted in the Internal Service Fund for the expected future risk corridor requirements of the MDHHS contract.

Description	Amount
Restricted for compensated absences	351,956
Restricted for risk management	8,692,278
Total cash and cash equivalents - restricted	9,044,234

NOTE 3 – ACCOUNTS RECEIVABLE

The PIHP believes that the accounts receivable will be collected in full and therefore the receivable balance has not been offset by an allowance for doubtful accounts.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units as of September 30th consists of the following:

Description	Amount
MDHHS	30,067,670
Integrated Services of Kalamazoo	8,372,094
Total	38,439,764

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2024

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the fund financial statements as of September 30th, are as follows:

Description	Purpose	Due from Other Funds	Due to Other Funds
Mental health operating fund	Cover overspending of Medicaid Managed Care Specialty Services Program Contract	8,598,475	-
Medicaid risk reserve fund		-	8,598,475

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Description	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated/amortized					
Computers and software	796,755	-	-	-	796,755
Vehicles	36,314	-	-	-	36,314
Right to use – leased building	472,940	756,459	-	-	1,229,399
Total capital assets being depreciated/amortized	1,306,009	756,459	-	-	2,062,468
Accumulated depreciation/amortization					
Computers and software	(796,755)	-	-	-	(796,755)
Vehicles	(3,631)	(7,263)	-	-	(10,894)
Right to use – leased building	(315,294)	(158,028)	-	-	(473,322)
Total accumulated depreciation/amortization	(1,115,680)	(165,291)	-	-	(1,280,971)
Capital assets being depreciated/amortized, net	190,330	591,168	-	-	781,498

NOTE 7 - DUE TO OTHER GOVERNMENTAL UNITS

Due to other governmental units as of September 30th consists of the following:

Description	Amount
Barry County CMH	61,182
Riverwood Center	2,010,153
Pines Behavioral Health	1,511,606
Summit Pointe	6,006,185
Woodlands Behavioral Healthcare Network	2,132,637
St. Joseph County CMH	1,975,936
Van Buren County CMH	2,164,733
MDHHS	10,291,151
IPA Assessment	936,581
Other	21,205,529
Total	48,295,693

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2024

NOTE 8 - UNEARNED REVENUE

The amount reported as unearned revenue represents revenues received in advance of the period earned as follows:

Description	Amount
PA2 funds	6,144,453

NOTE 9 - LONG-TERM LIABILITIES

Long-term debt

Direct borrowings

The detail of direct borrowings for the fiscal year are as follows:

Description	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Hinman building lease	799,574	6.00%	2029	763,753

The PIHP's outstanding loans from direct borrowings and direct placements related to mental health operations contain provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Summary of long-term debt

The changes in long-term debt during the fiscal year are as follows:

Description	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Compensated absences	355,940	49,407	(53,391)	351,956	52,793
Direct borrowings	168,865	756,459	(161,571)	763,753	136,727
Total	524,805	805,866	(214,962)	1,115,709	189,520

The requirements to pay principal and interest on the long-term debt outstanding at year-end are shown below:

Year Ended September 30	Direct Borrowings	
	Principal	Interest
2025	136,727	42,126
2026	148,837	33,593
2027	161,767	24,311
2028	175,570	14,230
2029	140,852	3,623
Total long-term debt	763,753	117,883

NOTE 10 – RETIREMENT PLANS

Defined Contribution Retirement Plan – 401(a)

Plan Description

The PIHP offers all employees a retirement plan created in accordance with the Internal Revenue Code, Section 401(a). The assets of the plan were held in trust for the exclusive benefit of the participants (employees) and their beneficiaries. Nationwide acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 401(a) plan.

The assets may not be diverted to any other use. Nationwide are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. Plan balances and activities are not reflected in the PIHP's financial statements.

Plan provisions are established or amended by Board resolution. This plan is funded solely by employer contributions.

Eligibility

All employees are eligible.

Contributions

The PIHP contributes a match of 50% of the employee deferral (into the 457 plan) up to the maximum of 5.0% of wages. The PIHP may also make discretionary contributions.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 ½ years of age. Contributions are vested 33% per year and 100% vested after 3 years of vesting service (1,000 hours in a plan year). All participants are fully vested upon death, disability and retirement.

Forfeitures

Forfeitures of contributions are reallocated as an employer discretionary contribution.

For the year ended September 30th, employer contributions (net of \$0 in forfeitures) amounted to \$366,814 which includes discretionary contributions that were made during the fiscal year. The outstanding liability to the plan at year-end was \$0.

Defined Contribution Retirement Plan – Social Security Alternative

Plan Description

The primary purpose of the plan is to provide for pension contributions for participants. The plan is maintained as an alternative to the Social Security system. The plan and related trust are intended to satisfy the requirements for tax qualification as a money purchase pension plan under sections 401(a) or 403 (b) of the Internal Revenue Code as applied to governmental plans. All funds are in the participants name with the options for their investments. The investment manager is Doerschler and Associates and the third-party administrator is Beene Gartner.

Eligibility

All employees are eligible to participate, decision to participate must be made at time of hire.

Contributions

The employer and employee both contribute 6.2% each of the participant's compensation for the plan year up to the SSA annual maximum for employers. Participants are fully vested at all times.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 ½ years of age. All contributions are 100% vested immediately.

Forfeitures

Contributions are 100% vested immediately therefore there are no forfeitures.

For the year ended September 30th, employer contributions amounted to \$254,849. Employee contributions amounted to \$254,849. The outstanding liability to the plan at year-end was \$0.

Deferred Compensation Retirement Plan – 457(b)

Plan Description

The PIHP offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(b) for the exclusive benefit of the participants (employees) and their beneficiaries. Nationwide acts as the custodian for the plan and holds the custodial account for the beneficiaries of this plan.

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2024

The assets may not be diverted to any other use. Nationwide are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the PIHP's financial statements.

Plan provisions are established or amended by Board resolution. Under the plan, employees may elect to defer a portion of their wages, subject to Internal Revenue Service limits. This plan is funded solely by employee contributions.

Eligibility

All employees are eligible.

Contributions

Pre-tax employee deferrals and catch up contributions are allowed (up to maximum allowed by law). Rollovers are allowed from all participants.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 59 ½ years of age. All contributions are 100% vested immediately.

Forfeitures

Contributions are 100% vested immediately therefore there are no forfeitures.

Funding

For the year ended September 30th, contributions by employees amounted to \$491,355. The outstanding liability to the plan at year-end was \$0.

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

As of September 30th, the composition of net investment in capital assets was comprised of the following:

Description	Amount
Capital assets being depreciated, net	781,498
Capital related long-term liabilities	(763,753)
Net investment in capital assets	17,745

NOTE 12 - RISK MANAGEMENT

MMRMA

The PIHP is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The PIHP participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and crime and vehicle physical damage coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the PIHP is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the member's self-insured retention. If a covered loss exceeds the PIHP's limits, all further payments for such loss are the sole obligation of the PIHP. If for any reason MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the PIHP is the sole obligation of the PIHP. Settled claims have not exceeded the amount of coverage in any of the past three years.

The PIHP's coverage limits are \$10,000,000 for general and public officials' liability, \$1,500,000 vehicles, and \$1,695,822 for buildings and personal property.

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2024

Medicaid Risk Reserve

The PIHP covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The PIHP and MDHHS equally share the costs between 105% to 110% of the contract amounts. Costs in excess of 110% of the contract are covered entirely by MDHHS.

The PIHP has established a Medicaid Risk Reserve Fund, in accordance with MDHHS guidelines, to assist in managing risk under the terms of its contract with the MDHHS.

NOTE 13 – TRANSFERS

The Medicaid Risk Reserve Fund transferred \$23,649,426 to the Mental Health Fund during the year for the purpose of covering the risk related to the Medicaid Managed Care Specialty Services Program Contract.

NOTE 14 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the PIHP is subject to periodic audits of its agreements, as well as a cost settlement process with MDHHS. Such audits could lead to questioned costs and/or requests for reimbursement to the grantor or regulatory agencies. Cost settlement adjustments, if any, as a result of compliance audits are recorded in the year that the settlement is finalized. The amount of expenses which may be disallowed, if any, cannot be determined at this time, although the PIHP expects such amounts, if any, to be immaterial.

NOTE 15 – ADJUSTMENTS TO BEGINNING NET POSITION

During the year, a change in estimate resulted in adjustments to beginning net position as follows:

Description	Mental Health Operating Fund	Medicaid Risk Reserve Fund
Net position - beginning as previously presented	22,263,884	22,493,910
2023 compliance examination adjustments	(396,553)	396,553
Net position – beginning as restated	21,867,331	22,890,463

NOTE 16 – ECONOMIC DEPENDENCE

The PIHP receives over 95% of its revenues directly from the State of Michigan.

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued by the GASB in December of 2023 and will be effective for fiscal year 2025. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause

the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members of the Board
Southwest Michigan Behavioral Health
Portage, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Southwest Michigan Behavioral Health (the PIHP), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the PIHP’s basic financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PIHP’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PIHP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the PIHP’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the PIHP’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PIHP’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PIHP’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PIHP’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

March 25, 2025



Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Board
Southwest Michigan Behavioral Health
Portage, Michigan

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Southwest Michigan Behavioral Health (the PIHP), for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the PIHP are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the PIHP during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the PIHP's financial statements were:

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimated incremental borrowing rate used to discount future lease payments under GASB 87 is based on the PIHP's current borrowing rate. We evaluated the key factors and assumptions used to develop the estimated intrinsic borrowing rate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the PIHP's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the PIHP's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board and management of the PIHP and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Roslund, Prestage & Company, P.C.
Certified Public Accountants



**Southwest Michigan Behavioral Health
Financial Statements
September 30, 2024**

SWMBH Board Update for January through March 2025
CEO and Staff Finance Focused Activities

Actions/Activities taken by CEO

February 2025

- County financial risk exposure assessment completed
- Initiated fiscal advocacy plan with CMHAM
- Meetings for environmental awareness and to influence activity
 - Mental Health Diversion Council
 - PIHP CEO meetings
 - Opioids Task Force
 - Treatment Committee meetings
 - Capitoline (DC federal contract) - weekly
 - Michigan Association of Health Plans CEO
 - Rep. Julie Rogers
- Michigan Consortium for Healthcare Excellence MCHE meeting with Bylaws review
- FY 2026 budget executive branch presentations to House and Senate Committees

March 2025

- Testified in Lansing to the House Appropriations Committee (3.11) with plea for adequate funding of 2025 and 2026 including DHHS allocating funds the legislature appropriated
- Revenue consultations with HMA and Wakely
- Analysis of PIHP lawsuit developments with Counsel
- Coordinating meeting with Rehmann Principal
- MDHHS Opioids Task Force Treatment Committee
- Secured Representative Julie Rogers for Board 5/9 planning session
- With Operations Committee extended meeting with CFOs on revenue, expense, and margin remediation tactics.
- Briefed regional Consumer Advisory Committee
- Joined and attended National Association of Social Workers – Michigan (NASW-MI) Legislative and Social Policy Committee
- Mutual briefing meeting with Mental Health America – Michigan leader.
- Mutual briefing with Optum contact.
- Regional Public Policy Committee meeting; initiated planning for October Policy Forum.
- Briefed Substance Use Disorder Oversight Policy Board.
- Mutual briefings (2) with MSU Public Policy Institute leaders
- CMHAM Legislative and Public Policy Committee
- CMHAM CEO Advocacy planning meeting
- Mutual briefing with Michigan Association of Counties opioid settlement projects leader.
- Attended Michigan Senate DHHS Appropriations Subcommittee meeting.

SWMBH Board Update for January through March 2025
CEO and Staff Finance Focused Activities

MDHHS Meetings Specific to Finance: January, February, next scheduled April

Data prepared and shared by SWMBH in January:

- Graphs reflecting changes in eligibility by Medicaid coverage
- Members served
- Analysis of inpatient hospitalization
- Analysis of Specialized Residential
- Analysis of Autism services
- Analysis of Community Living Supports (CLS) provided in unlicensed settings

February Meeting Updates:

- SWBMH Central identified approximately \$1.1 million in budget reductions for FY25
 - Hiring freeze since October 2024
 - Reduction in Clinical trainings
 - Moratorium on out of state trainings
 - Individual department budget reviews
- Woodlands as the only non-CCBHC CMH in SWMBH's Region reduced FTEs by 7 through attrition and a hiring freeze, resulting in approximately \$420,000 in savings
- Rehman Analysis
 - Revenue Projection: Actual continue to be less than was originally projected based on meetings with Milliman at the start of the FY. With actual FY25 payment data used in the projection with budgeted costs staying static, the projected deficit increases.
 - Expense Analysis
 - Community Living Supports outlier management (pilot program)
 - Inpatient Contract Rates: strategize regional rate reductions
 - Specialized Residential: strategize regional rates
 - Encounter Submission Validation
 - No concerns with encounter submission from CMH to PIHP to MDHHS
 - Findings related to FY23 encounters identified encounters that were never reported by CMHs to the PIHP.

Ongoing requests in preparation for April meeting:

- Prevalence reports by individual CMH.
- Advocate for use of the population eligible to receive the autism benefit as the denominator for Autism Prevalence, as opposed to the entire Medicaid eligible pool.

SWMBH Board Update for January through March 2025
CEO and Staff Finance Focused Activities

Revenue Focused Projects

(1) Habilitation Support Waivers: payments not received for eligible clients
September 2024

- Tableau report created capturing all eligible HSW payments.
- Submitted to MDHHS

November 2025: Shared and discussed with Regional Finance Committee

February 2025:

- Submitted updated spreadsheet of missing HSW payments to MDHHS
- Developed the HSW missing payment process to monitor and recoup missing HSW payments.
- Communication was sent to the Regional IDD committee and local HSW leads.

RESULTS

- ***March 2025: \$370,998.56 received from MDHHS for back payments owed***
- ***The new process continues to capture "missed payments" including for February receipts for which we are expecting to receive delayed payment***

(2) Geographical (Area) Factors: Region 4's factor is the lowest in the state. In April 2024 SWMBH began internal cross functional meetings to better understand the logic, methodology, definitions on how Milliman calculates SWMBH's area specific factors.

2024

- Document with clarifying questions for Milliman created
 - Provided to Operations Committee June 2024
 - Milliman and MDHHS Meeting June 2024
- Identified what our system can do to impact the Factor
 - Behavioral Health Treatment Episode Data Set (BH-TEDS) which is a system which collects and reports data on individual's behavioral health services.
- Presentation to Regional Clinical Practices Committee identifying specific fields within BH-TEDS that heavily impact the factors

March 2025: Revenue Maximization Memo and Action Steps for clinicians to take to improve the factor

- Operations Committee received the Memo and Action Steps on 3.10.2025
- Regional Clinical Practices Committee 3.10 – discussion regarding memo and action steps

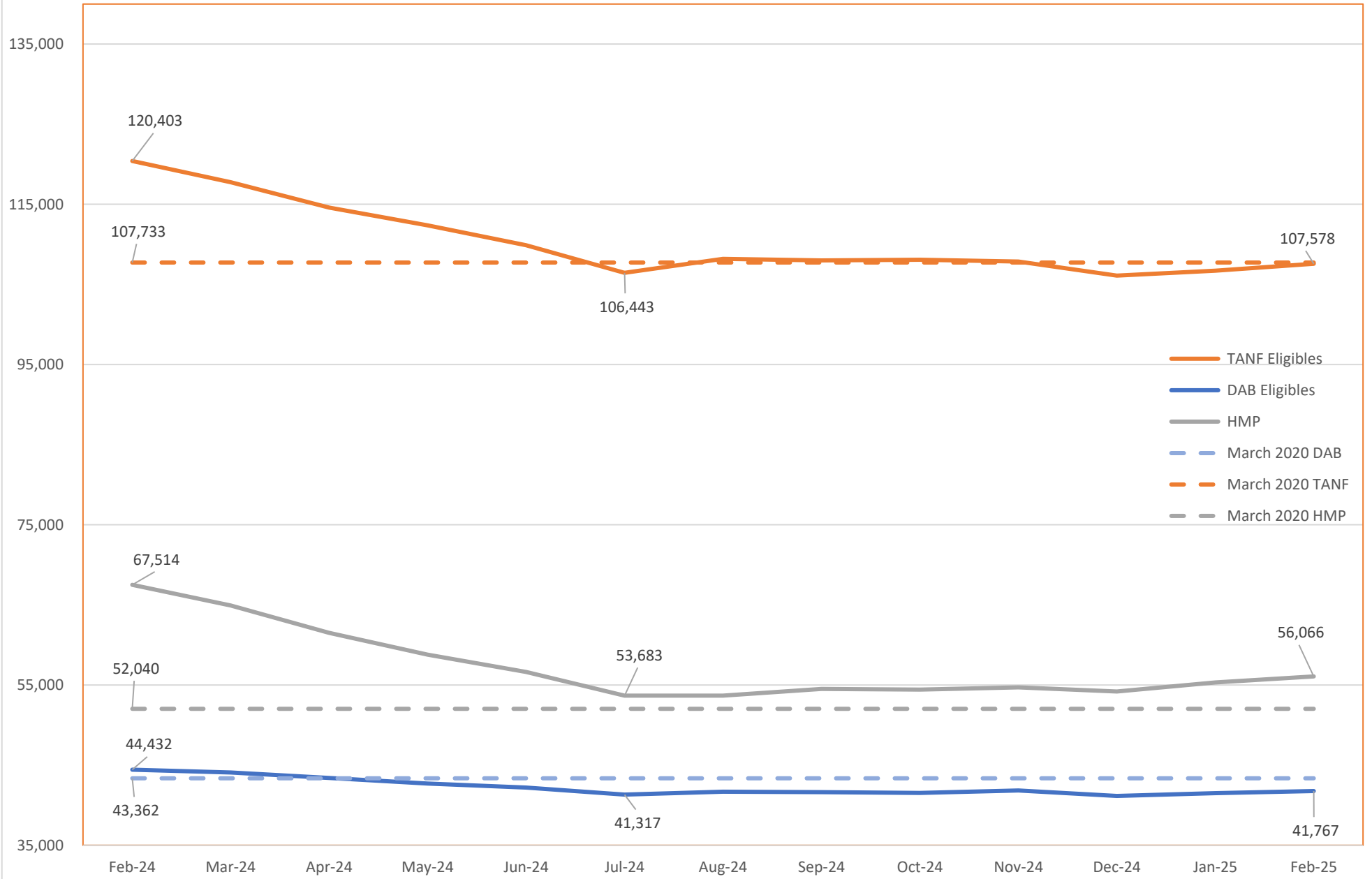
Results: Factor increase was not explained by Milliman

- ***Factor for FY24 for our population covered under DAB (Disabled, Aged, Blind) 80.77%***
- ***Factor for FY25 for our population covered under DAB 83.15%***

Southwest Michigan Behavioral Health

Total Eligibles Feb '24 - Feb '25

as of Mar 24, 2025



<u>SWMBH Through Feb</u>	<u>FY25</u>	<u>FY24</u>	<u>% Change YOY</u>	<u>\$ Change YOY</u>
State Plan MH	40,572,593	41,205,557	-1.5%	(632,964)
1915i MH	37,624,029	35,668,065	5.5%	1,955,964
Autism	11,554,420	8,402,759	37.5%	3,151,661
<i>Habilitation Supports Waiver (HSW)</i>	26,535,825	24,480,083	8.4%	2,055,742
<i>Child Waiver Program (CWP)</i>	379,073	474,107	-20.0%	(95,034)
<i>Serious Emotional Disturbances (SED)</i>	217,476	679,491	-68.0%	(462,015)
Net Capitation Payment	<u>116,883,415</u>	<u>110,910,062</u>	5.4%	5,973,353
				-
State Plan SA	3,282,012	3,532,683	-7.1%	(250,670)
Net Capitation Payment	<u>3,282,012</u>	<u>3,532,683</u>	-7.1%	(250,670)
				-
Healthy Michigan Mental Health	10,346,401	10,287,905	0.6%	58,496
Healthy Michigan Autism	16,600	10,255	61.9%	6,345
Net Capitation Payment	<u>10,363,001</u>	<u>10,298,160</u>	0.6%	64,841
				-
Healthy Michigan Substance Abuse	5,671,145	6,098,909	-7.0%	(427,764)
Net Capitation Payment	<u>5,671,145</u>	<u>6,098,909</u>	-7.0%	(427,764)
				-
GRAND TOTAL	136,199,574	130,839,815	4.1%	5,359,759

as of 3/25/2025

State Plan, 1915i, B3 and Autism have DAB and TANF payments included.

DAB refers to the "disabled, aged, or blind" eligibility categories for Medicaid programs.

TANF refers to "Temporary Assistance for Needy Families" for Medicaid programs.

Southwest Michigan Behavioral Health
Statement of Net Position
February 28, 2025

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Current assets			
Cash and cash equivalents - unrestricted	\$ 30,254,070	\$ -	\$ 30,254,070
Cash and cash equivalents - restricted	344,577	8,827,819	9,172,396
Accounts receivable	22,559	-	22,559
Due from other governmental units	30,393,716	-	30,393,716
Due from other funds	8,340,934	-	8,340,934
Prepaid expenses	200,582	-	200,582
Total current assets	69,556,438	8,827,819	78,384,257
Noncurrent assets			
Capital assets being depreciated, net	781,498	-	781,498
Total assets	70,337,936	8,827,819	79,165,755
Current liabilities			
Accounts payable	533,090	-	533,090
Accrued payroll and benefits	2,008	-	2,008
Due to other governmental units	40,665,073	-	40,665,073
Due to other funds	-	8,340,934	8,340,934
Unearned revenue	6,433,102	-	6,433,102
Compensated absences, due within one year	52,793	-	52,793
Direct borrowing, due within one year	137,475	-	137,475
Total current liabilities	47,823,541	8,340,934	56,164,475
Noncurrent liabilities			
Compensated absences, due beyond one year	299,163	-	299,163
Direct borrowing, due beyond one year	626,277	-	626,277
Total noncurrent liabilities	925,440	-	925,440
Total liabilities	48,748,981	8,340,934	57,089,915
Net position			
Net investment in capital assets	17,745	-	17,745
Restricted for Medicaid risk management	-	77,551	77,551
Restricted for Healthy Michigan risk management	-	16,252	16,252
Restricted for Performance Bonus Incentive Pool	3,470,877	-	3,470,877
Unrestricted	18,100,333	393,082	18,493,415
Total net position	\$ 21,588,955	\$ 486,885	\$ 22,075,840

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Month Ending February 28, 2025

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Operating revenues			
State and federal funding			
Medicaid	\$ 125,865,945	\$ -	\$ 125,865,945
Healthy Michigan	16,034,146	-	16,034,146
CCBHC	24,985,315	-	24,985,315
Incentive payments	1,122,254	-	1,122,254
MDHHS risk corridor	-	-	-
State and federal grant revenue	3,614,585	-	3,614,585
Total State and Federal funding	171,622,245	-	171,622,245
Local funding			
Public Act 2 funding	621,550	-	621,550
Local match drawdown	355,217	-	355,217
Total local funding	976,766	-	976,766
Total operating revenues	172,599,011	-	172,599,011
Operating expenses			
Funding for affiliate partners			
Barry County Community Mental Health	5,925,416	-	5,925,416
Kalamazoo Community Mental Health	49,737,840	-	49,737,840
Pines Behavioral Health	7,186,595	-	7,186,595
Riverwood Center	27,974,722	-	27,974,722
St. Joseph Community Mental Health	11,731,730	-	11,731,730
Summit Pointe	27,281,221	-	27,281,221
Van Buren Community Mental Health	11,010,470	-	11,010,470
Woodlands Behavioral Healthcare Network	9,193,872	-	9,193,872
PBIP funding for affiliate partners	800,350	-	800,350
CCBHC funding for affiliate partners	1,279,096	-	1,279,096
Total funding for affiliate partners	152,121,313	-	152,121,313
Contract expenditures			
Contractual services	9,637,969	-	9,637,969
IPA and HRA taxes	6,259,746	-	6,259,746
Local match drawdown	355,217	-	355,217
Total contract expenditures	16,252,932	-	16,252,932
Administrative expenses			
Salaries and contracted personnel	2,337,756	-	2,337,756
Fringe benefits	751,497	-	751,497
Board	977	-	977
Community education	89,572	-	89,572
Depreciation	-	-	-
Furniture and small equipment	779,374	-	779,374
Insurance	18,074	-	18,074
IT and Consulting services	175,517	-	175,517
Lease	82,864	-	82,864
Legal and professional	121,517	-	121,517

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Month Ending February 28, 2025

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Maintenance and custodial	\$ 6,388	\$ -	\$ 6,388
Meeting and training	28,543	-	28,543
Membership and dues	9,046	-	9,046
Other	2,780	-	2,780
Staff development and travel	14,134	-	14,134
Supplies	15,587	-	15,587
Utilities	22,603	-	22,603
Total administrative expenses	4,456,231	-	4,456,231
 Total operating expenses	 172,830,476	 -	 172,830,476
Operating income (loss)	(231,465)	-	(231,465)
Non-operating revenues (expenses)			
Investment income	200,888	393,082	593,970
Interest expense	-	-	-
Non-operating local expense	(125,624)	-	(125,624)
Total non-operating revenues (expenses)	75,264	393,082	468,346
Transfers			
Transfer in (out)	-	-	-
Total transfer in (out)	-	-	-
Change in net position	(156,201)	393,082	236,881
Net position, beginning of year			
Beginning as previously presented	21,745,155	93,803	21,838,958
Beginning as restated	21,745,155	93,803	21,838,958
Net position, end of year	\$ 21,588,954	\$ 486,885	\$ 22,075,839

Southwest Michigan Behavioral Health
Statement of Cash Flows
For the Month Ending February 28, 2025

	Enterprise Fund	Internal Service	Total Proprietary Funds
	Mental Health Operating	Medicaid Risk Reserve	
Cash flows from operating activities			
Receipts from the State and other governments	\$ 172,912,226	\$ -	\$ 172,912,226
Payments to employees	(3,224,158)	-	(3,224,158)
Payments to affiliates and other governments	(167,958,817)	-	(167,958,817)
Payments to suppliers and providers	(1,652,550)	-	(1,652,550)
Net cash provided by operating activities	76,701	-	76,701
Cash flows from capital and related financing activities			
Acquisition of capital assets	-	-	-
Payment of direct borrowing	(0)	-	(0)
Payment of interest	-	-	-
Net cash provided by capital and related financing activities	(0)	-	(0)
Cash flows from noncapital financing activities			
Payments from/to other funds	257,541	(257,541)	-
Payments for non-operating local expense	(125,624)	-	(125,624)
Net cash provided by noncapital financing activities	131,917	(257,541)	(125,624)
Cash flows from investment activities			
Investment income	200,888	393,082	593,970
Net cash provided by investment activities	200,888	393,082	593,970
Net change in cash and cash equivalents	409,507	135,541	545,048
Cash and cash equivalents, beginning of year	30,189,140	8,692,278	38,881,418
Cash and cash equivalents, end of year	\$ 30,598,647	\$ 8,827,819	\$ 39,426,466
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (231,465)	\$ -	\$ (231,465)
Depreciation expense	0	-	-
Changes in assets and liabilities:			
Accounts receivable	24,566	-	24,566
Due from other governmental units	8,046,048	-	8,046,048
Prepaid expenses	(119,692)	-	(119,692)
Accounts payable	(165,879)	-	(165,879)
Accrued payroll and benefits	(134,905)	-	(134,905)
Due to other governmental units	(7,630,620)	-	(7,630,620)
Unearned revenue	288,649	-	288,649
Compensated absences	(1)	-	(1)
Net cash provided by operating activities	\$ 76,700	\$ -	\$ 76,700

	E	F	I	J	K
1	Southwest Michigan Behavioral Health				
2	For the Fiscal YTD Period Ended 9/30/2025			FY25 PIHP	
3	<i>(For Internal Management Purposes Only)</i>				
4					
		FY25 Budget	FY25 Actual as P05	FY 25 Projection	
6	REVENUE				
7	Contract Revenue				
8	Medicaid Capitation	256,227,043	106,843,352	256,424,044	
9	Healthy Michigan Plan Capitation	38,407,790	11,845,749	28,429,797	
10	Medicaid Hospital Rate Adjustments	12,089,192	5,037,163	12,089,192	
11	Opioid Health Home Capitation	1,610,090	663,354	1,592,049	
12	Mental Health Block Grant Funding	653,000	209,041	501,698	
13	SA Block Grant Funding	7,763,190	3,405,544	8,173,306	
14	SA PA2 Funding	2,184,476	621,550	1,491,719	
17	CMHSP Incentive Payments	419,357	232,976	559,142	
18	PIHP Incentive Payments	2,483,291	889,278	2,134,267	
19	Interest Income - Working Capital	1,222,315	200,888	482,131	
20	Interest Income - ISF Risk Reserve	-	393,082	943,397	
21	Local Funds Contributions	852,520	355,217	852,520	
22	Other Local Income			-	
23					
24	TOTAL REVENUE	323,912,264	130,697,192	313,673,262	
25					
26	EXPENSE				
27	Healthcare Cost				
28	Provider Claims Cost	23,023,897	9,637,782	23,130,676	
29	CMHP Subcontracts, net of 1st & 3rd party	263,904,801	107,224,425	257,338,619	
30	Insurance Provider Assessment Withhold (IPA)	3,746,326	1,222,583	2,934,199	
31	Medicaid Hospital Rate Adjustments	12,089,192	5,037,163	12,089,192	
33		-	-	-	
34	Total Healthcare Cost	302,764,215	123,121,952	295,492,686	
35	Medical Loss Ratio (HCC % of Revenue)	94.9%	95.7%	95.7%	
36					
37	Administrative Cost				
39	Administrative and Other Cost	12,805,756	4,581,854	10,996,450	
44	Delegated Managed Care Admin	24,714,174	12,858,348	30,860,036	
45	Apportioned Central Mgd Care Admin	(2,665,293)	(884,655)	(2,123,171)	
46					
47	Total Administrative Cost	34,854,637	16,555,548	39,733,316	
48	Admin Cost Ratio (MCA % of Total Cost)	10.3%	12.4%	12.4%	
49					
50	Local Funds Cost	852,520	355,217	852,520	
51	PBIP Transferred to CMHPs		800,350	1,920,841	
52					
53	TOTAL COST after apportionment	338,471,372	140,833,067	337,999,362	
54					
55	NET SURPLUS before settlement	(14,559,107)	(10,135,875)	(24,326,100)	
56	Net Surplus (Deficit) % of Revenue	-4.5%	-7.8%	-7.8%	
57					
58	Prior Year Savings Utilization				
59	Change in PA2 Fund Balance			-	
60	ISF Risk Reserve Abatement (Funding)				
61	ISF Risk Reserve Utilization	1,929,280	486,885	486,885	
62	CCBHC Supplemental Receivable (Payable)	3,813,725	-	-	
63	MDHHS Shared Risk Utilization	-	-	-	
66	NET SURPLUS (DEFICIT)	(8,816,103)	(9,648,990)	(23,839,215)	

	A	B	C	D	E
1	Southwest Michigan Behavioral Health				
2	For the Fiscal YTD Period Ended 9/30/2025			FY25 CCBHC	
3	<i>(For Internal Management Purposes Only)</i>				
4			<u>FY25 Budget</u>	<u>FY25 Actual as P05</u>	<u>FY 25 Projection</u>
5					
6	<u>REVENUE</u>				
16	Contract Revenue		94,989,631	42,495,788	101,989,892
17	CMHSP Incentive Payments		3,422,650	-	-
18					
19	TOTAL REVENUE		<u>98,412,281</u>	<u>42,495,788</u>	<u>101,989,892</u>
20					
21	<u>EXPENSE</u>				
22	<u>Healthcare Cost</u>				
23	CCBHC Subcontracts		82,461,854	31,238,189	74,971,654
24					
25	Total Healthcare Cost		<u>82,461,854</u>	<u>31,238,189</u>	<u>74,971,654</u>
26	Medical Loss Ratio (HCC % of Revenue)		83.8%	73.5%	73.5%
27					
28					
29	<u>Administrative Cost</u>				
30	Apportioned Central Mgd Care Admin		2,665,293	884,655	2,123,171
31					
32	Total Administrative Cost		<u>2,665,293</u>	<u>884,655</u>	<u>2,123,171</u>
33	Admin Cost Ratio (MCA % of Total Cost)		3.1%	2.8%	2.8%
34					
35	TOTAL COST		<u>85,127,147</u>	<u>32,122,844</u>	<u>77,094,825</u>
36					
37	NET SURPLUS before non MCA cost		<u>13,285,134</u>	<u>10,372,945</u>	<u>24,895,067</u>
38	Net Surplus (Deficit) % of Revenue		13.5%	24.4%	24.4%
39					
40	CCBHC Non Medicaid Cost		(10,261,247)	(5,697,086)	(13,673,007)
41					
42	CCBHC Net Surplus/(Deficit)		<u>3,023,886</u>	<u>4,675,858</u>	<u>11,222,059</u>
43					

Southwest Michigan Behavioral Health

For the Fiscal YTD Period Ended 2/28/2025
(For Internal Management Purposes Only)

2/28/2025

ok

INCOME STATEMENT

Barry County CMHA
PIHP Summary Information

		Summary of Local CMHSP Components						CCBHC		
SWMBH TOTAL		Medicaid MH/IDD	Medicaid SUD	HMP MH	HMP SUD	SUD Block Grant		CCBHC Medicaid	CCBHC Healthy Michigan	CCBHC Non-Medicaid
Excluding GF	Treatment					State GF				
HCC%	100%	41.6%	0.0%	5.1%	0.0%	0.3%	1.9%	30%	11.9%	9.2%
Capitation Payment		4,871,443	90,473	446,646	156,911	15,731	389,885	643,797.99	228,463	-
Less: CCBHC Base Payment		(643,798)	-	(228,463)	-	-	-	-	-	-
Subcontract revenue		4,227,645	90,473	218,184	156,911	15,731	389,885	643,797.99	228,463	-
Supplemental CCBHC Payment		-	-	-	-	-	-	1,026,633.35	479,054.90	-
CCBHC 1st/3rd Party Cost Offset		-	-	-	-	-	-	41,190.89	3,179	64,742
CCBHC General Fund Revenue		-	-	-	-	-	-	-	-	-
Incentive Payment Revenue	<i>PIHP Revenue</i>	-	-	-	-	-	-	-	-	-
Subcontract revenue	7,131,263	4,227,645	90,473	218,184	156,911	15,731	389,885	1,711,622	710,697	64,742
External provider cost		2,001,318	-	293,749	-	-	31,296	-	-	-
Internal program cost		525,828	1,907	16,343	-	15,731	85,879	1,821,054.16	719,848	559,961
SSI Reimb, 1st/3rd Party Cost Offset		-	-	-	-	-	-	-	-	-
Mgd care administration	<i>PIHP Cost</i>	424,970	-	104,667	-	-	53,301	-	-	-
Subcontract cost	5,925,416	2,952,116	1,907	414,759	-	15,731	170,476	1,821,054	719,848	559,961
Net before settlement		1,275,529	88,566	(196,576)	156,911	-	219,409	(109,432)	(9,151)	(495,219)
Other Redistributions of State GF	<i>PIHP Stmt</i>	-	-	-	-	-	81,251	-	-	-
Subcontract settlement (includes PPS-1 Payment Differe	(1,324,909)	(1,275,529)	(88,566)	196,576	(156,911)	-	-	43,056	(43,535)	-
Net after settlement		-	-	-	-	-	300,661	(66,376)	(52,686)	(495,219)

Berrien Mental Health Authori

PIHP Summary Information

HCC%	100.00%	71.4%	0.0%	5.4%	0.0%	0.0%	1.1%	13.0%	5.9%	3.2%
Capitation Payment		21,427,835	355,608	2,008,813	716,268	81,374	783,843	2,102,366	896,322	-
Less: CCBHC Base Payment		(2,102,366)	-	(896,322)	-	-	-	-	-	-
Subcontract revenue		19,325,469	355,608	1,112,491	716,268	81,374	783,843	2,102,366	896,322	-
Supplemental CCBHC Payment		-	-	-	-	-	-	3,254,906	1,262,157	-
CCBHC 1st/3rd Party Cost Offset		-	-	-	-	-	-	(105,519)	(19,732)	-
CCBHC General Fund Revenue		-	-	-	-	-	-	-	-	-
Incentive Payment Revenue	<i>PIHP Revenue</i>	-	-	-	-	-	-	-	-	-
Subcontract revenue	28,981,710	19,325,469	355,608	1,112,491	716,268	81,374	783,843	5,251,753	2,138,747	-
External provider cost		18,403,440	-	1,406,995	-	-	241,663	-	-	-
Internal program cost		830,203	-	57,764	287	2,191	44,518	3,491,667	1,584,803	869,003
SSI Reimb, 1st/3rd Party Cost Offset		(4,171)	-	(1,118)	-	-	(32,587)	-	-	-
Mgd care administration	<i>PIHP Cost</i>	1,969,172	-	233,489	-	-	39,691	-	-	-
Subcontract cost	27,974,722	21,198,644	355,608	(584,639)	715,981	79,183	490,558	3,491,667	1,584,803	869,003
Net before settlement		(1,873,175)	355,608	(584,639)	715,981	79,183	490,558	1,760,086	553,944	(869,003)
Other Redistributions of State GF	<i>PIHP Stmt</i>	-	-	-	-	-	-	-	-	-
Subcontract settlement (includes PPS-1 Payment Differe	1,082,795	1,873,175	(355,608)	584,639	(715,981)	(79,183)	(869,003)	(262,766)	38,519	-
Net after settlement		-	-	-	-	-	(378,445)	1,497,320	592,463	(869,003)

Southwest Michigan Behavioral Health

For the Fiscal YTD Period Ended 2/28/2025
(For Internal Management Purposes Only)

2/28/2025

ok

INCOME STATEMENT

Pines Behavioral Health Servi

HCC%

99.96%

PIHP Summary Information

		Summary of Local CMHSP Components							CCBHC		
SWMBH TOTAL		Medicaid MH/IDD	Medicaid SUD	HMP MH	HMP SUD	SUD Block Grant		CCBHC Medicaid	CCBHC Healthy Michigan	CCBHC Non-Medicaid	
Excluding GF						Treatment	State GF				
Capitation Payment		6,209,991	96,700	461,763	159,770	11,778	366,925	1,019,787	346,197	-	
Less: CCBHC Base Payment		(1,019,787)	-	(346,197)	-	-	-	-	-	-	
Subcontract revenue		5,190,204	96,700	115,566	159,770	11,778	366,925	1,019,787	346,197	-	
Supplemental CCBHC Payment		-	-	-	-	-	-	997,157	447,445	-	
CCBHC 1st/3rd Party Cost Offset		-	-	-	-	-	-	42,433	8,277	-	
CCBHC General Fund Revenue		-	-	-	-	-	-	-	-	-	
Incentive Payment Revenue	<i>PIHP Revenue</i>	-	-	-	-	-	-	-	-	-	
Subcontract revenue	8,435,315	5,190,204	96,700	115,566	159,770	11,778	366,925	2,059,377	801,920	-	
External provider cost		4,378,056	-	289,833	-	-	90,233	-	-	-	
Internal program cost		121,755	2,067	27,675	3,448	3,030	84,991	1,499,356	531,300	471,901	
SSI Reimb, 1st/3rd Party Cost Offset		(1,951)	-	-	-	-	-	-	-	-	
Mgd care administration	<i>PIHP Cost</i>	290,603	-	41,425	-	-	26,558	-	-	-	
Subcontract cost	7,186,595	4,788,463	2,067	358,933	3,448	3,030	201,781	1,499,356	531,300	471,901	
Net before settlement		401,742	94,633	(243,367)	156,322	8,748	165,144	560,021	270,620	(471,901)	
Other Redistributions of State GF	<i>PIHP Stmt</i>	-	-	-	-	-	306,757	-	-	-	
Subcontract settlement (includes PPS-1 Payment Differe		(540,589)	(401,742)	(94,633)	243,367	(156,322)	(8,748)	(471,901)	(55,231)	(67,281)	
Net after settlement		-	-	-	-	-	(0)	504,791	203,339	(0)	

Summit Pointe (Calhoun Cour

HCC%

100.00%

PIHP Summary Information

Capitation Payment		20,306,477	-	2,483,828	-	-	774,791	2,012,983	521,824	-
Less: CCBHC Base Payment		(2,012,983)	-	(521,824)	-	-	-	-	-	-
Subcontract revenue		18,293,494	-	1,962,004	-	-	774,791	2,012,983	521,824	-
Supplemental CCBHC Payment		-	-	-	-	-	-	3,659,432	1,858,944	-
CCBHC 1st/3rd Party Cost Offset		-	-	-	-	-	-	-	-	-
CCBHC General Fund Revenue		-	-	-	-	-	-	-	-	-
Incentive Payment Revenue	<i>PIHP Revenue</i>	-	-	-	-	-	-	-	-	-
Subcontract revenue	28,308,681	18,293,494	-	1,962,004	-	-	774,791	5,672,415	2,380,768	-
External provider cost		15,842,530	-	1,965,891	-	-	898,381	-	-	-
Internal program cost		1,351,134	1,190	110,716	320	39	97,081	4,072,110	1,404,195	1,021,672
SSI Reimb, 1st/3rd Party Cost Offset		-	-	-	-	-	-	-	-	-
Mgd care administration	<i>PIHP Cost</i>	2,224,509	-	308,586	-	-	170,367	-	-	-
Subcontract cost	27,281,221	19,418,174	1,190	2,385,193	320	39	1,165,829	4,072,110	1,404,195	1,021,672
Net before settlement		(1,124,680)	(1,190)	(423,188)	(320)	(39)	(391,038)	1,600,304	976,572	(1,021,672)
Other Redistributions of State GF	<i>PIHP Stmt</i>	-	-	-	-	-	1,412,710	-	-	-
Subcontract settlement (includes PPS-1 Payment Differe		(105,857)	1,124,680	1,190	423,188	320	(1,021,672)	(1,071,846)	(583,427)	1,021,672
Net after settlement		-	-	-	-	-	0	528,458	393,145	(0)

Southwest Michigan Behavioral Health

For the Fiscal YTD Period Ended 2/28/2025
(For Internal Management Purposes Only)

2/28/2025 ok

INCOME STATEMENT

Woodlands Behavioral Health

HCC%

100.0%

85.7% 1.4% 5.6% 2.3% 0.2% 4.8%

PIHP Summary Information

	SWMBH TOTAL Excluding GF	Summary of Local CMHSP Components						CCBHC		
		Medicaid MH/IDD	Medicaid SUD	HMP MH	HMP SUD	SUD Block Grant Treatment	State GF	CCBHC Medicaid	CCBHC Healthy Michigan	CCBHC Non- Medicaid
Capitation Payment		6,804,112	105,988	535,700	186,450	20,318	361,290			
Less: CCBHC Base Payment										
Subcontract revenue										
Supplemental CCBHC Payment										
CCBHC 1st/3rd Party Cost Offset										
CCBHC General Fund Revenue										
Incentive Payment Revenue	<i>PIHP Revenue</i>									
Subcontract revenue	<u>7,652,569</u>	6,804,112	105,988	535,700	186,450	20,318	361,290			
External provider cost		5,664,722	-	95,882	-	-	170,451			
Internal program cost		1,942,664	123,959	400,495	201,881	21,293	256,788			
SSI Reimb, 1st/3rd Party Cost Offset		-	-	-	-	-	-			
Mgd care administration	<i>PIHP Cost</i>	673,065	-	69,912	-	-	37,200			
Subcontract cost	<u>9,193,872</u>	8,280,451	123,959	566,288	201,881	21,293	464,439			
Net before settlement		(1,476,339)	(17,971)	(30,588)	(15,431)	(974)	(103,149)			
Other Redistributions of State GF	<i>PIHP Stimt</i>	-	-	-	-	-	103,149			
Subcontract settlement	<u>1,541,303</u>	<u>1,476,339</u>	<u>17,971</u>	<u>30,588</u>	<u>15,431</u>	<u>974</u>	<u>-</u>			
Net after settlement										

Integrated Services of Kalama

HCC%

100.0%

65.61% 0.00% 4.29% 0.00% 0.00% 0.00%

19.28% 6.78% 4.04%

PIHP Summary Information

	SWMBH TOTAL Excluding GF	Summary of Local CMHSP Components						CCBHC		
		Medicaid MH/IDD	Medicaid SUD	HMP MH	HMP SUD	SUD Block Grant Treatment	State GF	CCBHC Medicaid	CCBHC Healthy Michigan	CCBHC Non- Medicaid
Capitation Payment		35,714,026	-	3,673,867	-	46,649	-	5,851,868	1,685,015	-
Less: CCBHC Base Payment		(5,851,868)	-	(1,685,015)	-	-	-	-	-	-
Subcontract revenue		29,862,158	-	1,988,852	-	46,649	-	5,851,868	1,685,015	-
Supplemental CCBHC Payment		-	-	-	-	-	-	3,941,051	2,017,692	-
CCBHC 1st/3rd Party Cost Offset		-	-	-	-	-	-	171,865	27,335	159,089
CCBHC General Fund Revenue		-	-	-	-	-	-	-	-	-
Incentive Payment Revenue	<i>PIHP Revenue</i>	-	-	-	-	-	-	-	-	-
Subcontract revenue	<u>45,592,484</u>	29,862,158	-	1,988,852	-	46,649	-	9,964,784	3,730,041	159,089
External provider cost		30,040,560	-	2,007,998	-	-	2,103,282	640,319	449,311	-
Internal program cost		818,978	-	8,071	-	-	6,963,186	2,549,434	1,451,948	-
SSI Reimb, 1st/3rd Party Cost Offset		(1,938)	-	(52)	-	-	-	-	-	-
Mgd care administration	<i>PIHP Cost</i>	4,325,419	-	282,582	-	-	-	-	-	-
Subcontract cost	<u>49,737,840</u>	35,183,019	-	2,298,599	-	-	-	9,066,468	3,189,754	1,901,259
Net before settlement		(5,320,861)	-	(309,748)	-	46,649	-	898,317	540,288	(1,742,170)
Other Redistributions of State GF	<i>PIHP Stimt</i>	-	-	-	-	-	-	-	-	511,807
Subcontract settlement (includes PPS-1 Payment Differ	<u>7,561,539</u>	<u>5,320,861</u>	-	<u>309,748</u>	-	<u>(46,649)</u>	-	<u>2,049,893</u>	<u>(72,314)</u>	<u>-</u>
Net after settlement								2,948,210	467,974	(1,230,363)

Southwest Michigan Behavioral Health

For the Fiscal YTD Period Ended 2/28/2025
(For Internal Management Purposes Only)

2/28/2025 ok

INCOME STATEMENT

CMH of St Joseph County

HCC% 0.0%

PIHP Summary Information

	SWMBH TOTAL Excluding GF	Summary of Local CMHSP Components						CCBHC		
		Medicaid MH/IDD	Medicaid SUD	HMP MH	HMP SUD	SUD Block Grant Treatment	State GF	CCBHC Medicaid	CCBHC Healthy Michigan	CCBHC Non- Medicaid
Capitation Payment		7,524,513	130,992	700,604	247,264	32,904	434,400	760,120	179,145	-
Less: CCBHC Base Payment		(760,120)	-	(179,145)	-	-	-	-	-	-
Subcontract revenue		6,764,394	130,992	521,459	247,264	32,904	434,400	760,120	179,145	-
Supplemental CCBHC Payment								1,430,966	689,671	-
CCBHC 1st/3rd Party Cost Offset										
CCBHC General Fund Revenue										
Incentive Payment Revenue	<i>PIHP Revenue</i>									
Subcontract revenue	10,756,914	6,764,394	130,992	521,459	247,264	32,904	434,400	2,191,085	868,816	-
External provider cost		7,242,413	-	738,966	-	-	255,016			
Internal program cost		309,605	4,187	45,831	411	2,243	40,702	2,102,727	520,917	630,200
SSI Reimb, 1st/3rd Party Cost Offset		-	-	-	-	-	-	(39,676)	(5,428)	-
Mgd care administration	<i>PIHP Cost</i>	714,286	-	95,249	-	-	75,193			
Subcontract cost	11,731,730	8,266,304	4,187	880,046	411	2,243	370,912	2,063,051	515,488	630,200
Net before settlement		(1,501,910)	126,804	(358,587)	246,854	30,661	63,488	128,034	353,328	(630,200)
Other Redistributions of State GF	<i>PIHP Stmt</i>	-	-	-	-	-	566,711			
Subcontract settlement (includes PPS-1 Payment Differ	1,762,286	1,501,910	(126,804)	358,587	(246,854)	(30,661)	(630,200)	420,463	(114,356)	630,200
Net after settlement								548,498	238,972	(0)

Van Buren Mental Health Auth

HCC% 75.1%

PIHP Summary Information

	SWMBH TOTAL Excluding GF	Summary of Local CMHSP Components						CCBHC		
		Medicaid MH/IDD	Medicaid SUD	HMP MH	HMP SUD	SUD Block Grant Treatment	State GF	CCBHC Medicaid	CCBHC Healthy Michigan	CCBHC Non- Medicaid
Capitation Payment		10,880,731	175,971	814,159	287,152	21,245	498,900	931,155	331,431	-
Less: CCBHC Base Payment		(931,155)	-	(331,431)	-	-	-	-	-	-
Subcontract revenue		9,949,576	175,971	482,728	287,152	21,245	498,900	931,155	331,431	-
Supplemental CCBHC Payment								649,090	237,432	-
CCBHC 1st/3rd Party Cost Offset										
CCBHC General Fund Revenue										
Incentive Payment Revenue	<i>PIHP Revenue</i>									
Subcontract revenue	10,916,672	9,949,576	175,971	482,728	287,152	21,245	498,900	1,580,244	568,863	-
External provider cost		8,177,262	-	605,855	-	-	367,499			
Internal program cost		1,097,774	2,812	17,887	6,488	60,805	33,003	2,254,963	712,944	466,921
SSI Reimb, 1st/3rd Party Cost Offset		(52,708)	-	-	-	(6,118)	-			
Mgd care administration	<i>PIHP Cost</i>	972,753	-	127,662	-	-	66,894			
Subcontract cost	11,010,470	10,195,081	2,812	751,404	6,488	54,686	467,396	2,254,963	712,944	466,921
Net before settlement		(245,505)	173,159	(268,676)	280,664	(33,441)	31,504	(674,718)	(144,081)	(466,921)
Other Redistributions of State GF	<i>PIHP Stmt</i>	-	-	-	-	-	435,417			
Subcontract settlement	585,338	245,505	(173,159)	268,676	(280,664)	33,441	(466,921)	368,535	123,005	-
Net after settlement								(306,184)	(21,076)	(466,921)

February										
Medicaid	SWMBH	Barry	Berrien	Pines	Summit Pointe	Woodlands	ISK	St. Joe	Van Buren	Total
Revenue	5,703,544	4,318,118	19,681,077	5,286,904	18,293,494	6,910,100	29,862,158	6,895,386	10,125,547	107,076,328
Expense	5,425,201	2,954,023	21,198,644	4,790,530	19,419,364	8,404,410	35,183,019	8,270,492	10,197,893	115,843,575
Difference	278,342	1,364,094	(1,517,567)	496,375	(1,125,870)	(1,494,310)	(5,320,861)	(1,375,106)	(72,346)	(8,767,248)
HMP										
Revenue	3,154,950	375,095	1,828,759	275,336	1,962,004	722,150	1,988,852	768,723	769,880	11,845,749
Expense	3,847,102	414,759	1,697,417	362,381	2,385,512	768,169	2,298,599	880,457	757,892	13,412,289
Difference	(692,152)	(39,664)	131,342	(87,045)	(423,508)	(46,019)	(309,748)	(111,734)	11,988	(1,566,540)
February Revenue and Expense										
Revenue	1,779,968	944,819	4,049,769	1,128,798	3,817,922	1,513,143	6,447,272	1,714,048	2,140,500	23,536,240
Expense	2,201,559	377,596	4,337,038	1,164,540	3,646,311	1,752,491	9,129,273	1,285,156	1,960,233	25,854,196

Capitation Deficit (10,333,787.58)

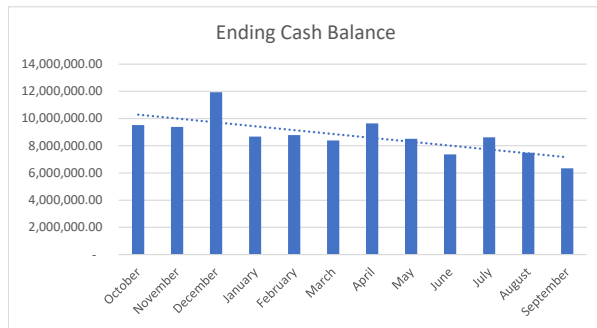
Projection for FY 2025										
Medicaid	SWMBH	Barry	Berrien	Pines	Summit Pointe	Woodlands	ISK	St. Joe	Van Buren	Total
Revenue	13,688,505	10,363,482	47,234,585	12,688,570	43,904,387	16,584,240	71,669,180	16,548,926	24,301,313	256,983,186
Expense	13,020,483	7,089,656	50,876,746	11,497,271	46,606,474	20,170,584	84,439,246	19,849,180	24,474,943	278,024,581
Difference	668,022	3,273,827	(3,642,161)	1,191,299	(2,702,087)	(3,586,344)	(12,770,066)	(3,300,254)	(173,630)	(21,041,395)
HMP										
Revenue	7,571,881	900,228	4,389,021	660,806	4,708,810	1,733,161	4,773,244	1,844,935	1,847,711	28,429,797
Expense	9,233,045	995,422	4,073,801	869,715	5,725,230	1,843,606	5,516,638	2,113,096	1,818,940	32,189,493
Difference	(1,661,164)	(95,194)	315,220	(208,909)	(1,016,420)	(110,445)	(743,395)	(268,161)	28,771	(3,759,696)
Combined Medicaid/HMP	(993,142)	3,178,632	(3,326,941)	982,391	(3,718,507)	(3,696,789)	(13,513,461)	(3,568,415)	(144,859)	(24,801,090)
January Results	23,345	2,271,621	(3,296,870)	1,335,215	(5,162,967)	(3,902,944)	(8,845,824)	(5,747,196)	(721,875)	(24,047,494)
1Month Comparison	(1,016,487)	907,011	(30,071)	(352,824)	1,444,460	206,155	(4,667,637)	2,178,780	577,016	(753,596)

Projected (24,801,090.18)



**Southwest Michigan Behavioral Health
Cash Flow Analysis
Fiscal Year 2025
Operations Account**

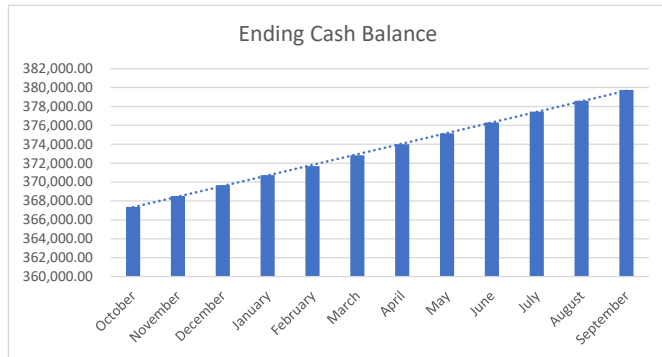
	October	November	December	January	February	March	April	May	June	July	August	September
Medicaid/HMP	21,770,700.65	22,165,013.39	21,713,007.60	21,895,358.69	22,186,473.37	22,400,874.45	22,021,904.69	22,021,904.69	22,021,904.69	22,021,904.69	22,021,904.69	22,021,904.69
Waivers	5,370,542.08	5,708,407.14	5,385,507.00	5,610,355.91	5,353,174.25	5,729,923.22	5,526,318.27	5,526,318.27	5,526,318.27	5,526,318.27	5,526,318.27	5,526,318.27
CCBHC Supplemental	4,536,320.55	4,694,283.64	4,737,804.43	4,895,288.34	4,905,158.41	4,947,399.54	4,786,042.49	4,786,042.49	4,786,042.49	4,786,042.49	4,786,042.49	4,786,042.49
Other Revenue Sources	-	164,045.15	2,757,197.69	61,336.05	1,751,931.25	62,638.94	2,757,197.69	62,638.94	62,638.94	2,757,197.69	62,638.94	62,638.94
Total Revenues	31,677,563.28	32,731,749.32	34,593,516.72	32,462,338.99	34,196,737.28	33,140,836.15	35,091,463.13	32,396,904.38	32,396,904.38	35,091,463.13	32,396,904.38	32,396,904.38
CMHSP CAP Payments	29,893,466.38	30,468,168.14	29,315,190.22	32,145,398.46	31,193,987.30	30,603,242.10	30,603,242.10	30,603,242.10	30,603,242.10	30,603,242.10	30,603,242.10	30,603,242.10
SWMBH Claims Payments	1,240,081.44	1,224,031.17	1,560,540.09	1,771,324.78	1,334,253.72	1,426,046.24	1,426,046.24	1,426,046.24	1,426,046.24	1,426,046.24	1,426,046.24	1,426,046.24
SWMBH Central Operations	1,815,772.38	1,182,428.67	1,154,290.76	1,808,146.82	1,565,569.49	1,505,241.62	1,808,146.82	1,505,241.62	1,505,241.62	1,808,146.82	1,505,241.62	1,505,241.62
Total Expenses	32,949,320.20	32,874,627.98	32,030,021.07	35,724,870.06	34,093,810.51	33,534,529.96	33,837,435.16	33,534,529.96	33,534,529.96	33,837,435.16	33,534,529.96	33,534,529.96
Net	(1,271,756.92)	(142,878.66)	2,563,495.65	(3,262,531.07)	102,926.77	(393,693.81)	1,254,027.97	(1,137,625.58)	(1,137,625.58)	1,254,027.97	(1,137,625.58)	(1,137,625.58)
Beginning Balance	10,792,873.84	9,521,116.92	9,378,238.26	11,941,733.91	8,679,202.84	8,782,129.61	8,388,435.80	9,642,463.77	8,504,838.19	7,367,212.61	8,621,240.58	7,483,615.00
Ending Cash Balance	9,521,116.92	9,378,238.26	11,941,733.91	8,679,202.84	8,782,129.61	8,388,435.80	9,642,463.77	8,504,838.19	7,367,212.61	8,621,240.58	7,483,615.00	6,345,989.42





Southwest Michigan Behavioral Health
Cash Flow Analysis
Fiscal Year 2025
Labor Risk Account

	October	November	December	January	February	March	April	May	June	July	August	September
Interest Income	1,241.67	1,145.26	1,145.26	1,069.35	958.47	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39
Total Revenues	1,241.67	1,145.26	1,145.26	1,069.35	958.47	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39
Total Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net	1,241.67	1,145.26	1,145.26	1,069.35	958.47	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39	1,150.39
Beginning Balance	366,136.16	367,377.83	368,523.09	369,668.35	370,737.70	371,696.17	372,846.56	373,996.94	375,147.33	376,297.71	377,448.10	378,598.48
Ending Cash Balance	367,377.83	368,523.09	369,668.35	370,737.70	371,696.17	372,846.56	373,996.94	375,147.33	376,297.71	377,448.10	378,598.48	379,748.87

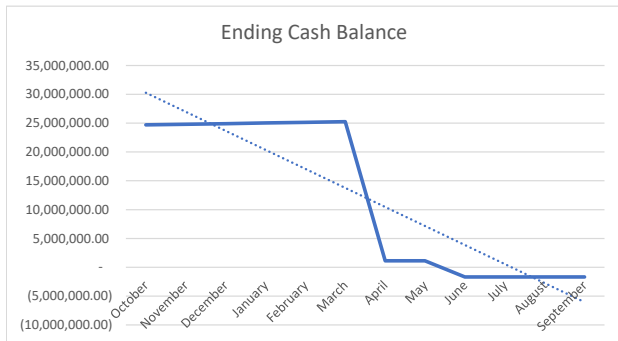




**Southwest Michigan Behavioral Health
Cash Flow Analysis
Fiscal Year 2025
Internal Service Fund**

	October	November	December	January	February	March	April	May	June	July	August	September
FY24 CCBHC Settlement	-	-	-	-	-	-	-	8,600,464.66				
ICS	41,111.87	34,277.81	38,678.12	35,397.40	36,875.23	37,268.09						
ISF Non CDARS	29,578.36	27,281.75	27,281.75	27,706.55	23,692.51	27,108.18						
CDARS A	27,237.72	26,447.46	22,940.32	25,611.06	23,204.15	25,088.14						
CDARS B	30,773.63	29,896.83	22,106.00	25,474.88	23,848.99	26,420.07						
Total Revenues	128,701.58	117,903.85	111,006.19	114,189.89	107,620.88	115,884.48		8,600,464.66				
Prior Year Lapse - FY21									2,799,145.54			
FY24 Settlements due to CMHSP's							24,135,496.00	8,600,464.66				
Total Expenses	-	-	-	-	-	-	24,135,496.00	8,600,464.66	2,799,145.54	-	-	-
Net	128,701.58	117,903.85	111,006.19	114,189.89	107,620.88	115,884.48	(24,135,496.00)	-	(2,799,145.54)	-	-	-
Beginning Balance	<u>24,561,549.17</u>	<u>24,690,250.75</u>	<u>24,808,154.60</u>	<u>24,919,160.79</u>	<u>25,033,350.68</u>	<u>25,140,971.56</u>	<u>25,256,856.04</u>	<u>1,121,360.04</u>	<u>1,121,360.04</u>	<u>(1,677,785.50)</u>	<u>(1,677,785.50)</u>	<u>(1,677,785.50)</u>
Ending Cash Balance	<u>24,690,250.75</u>	<u>24,808,154.60</u>	<u>24,919,160.79</u>	<u>25,033,350.68</u>	<u>25,140,971.56</u>	<u>25,256,856.04</u>	<u>1,121,360.04</u>	<u>1,121,360.04</u>	<u>(1,677,785.50)</u>	<u>(1,677,785.50)</u>	<u>(1,677,785.50)</u>	<u>(1,677,785.50)</u>

Next Maturity Dates	Current Interest Rate
Thursday, April 3, 2025	3.83%
Thursday, March 27, 2025	3.83%



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Sub Ends 2 & 4 draft version 3/12/25

For March 14, 2025 Board consideration

Revised for April 11, 2025 Board Consideration

Discussed at Operations Committee 3/12/25

General consensus is we have immediate existential threats

Introduction

As requested by the Board this is draft Interpretations and probable proof data tracks for Board Sub-Ends 2 and 4 in preparation for the March 14, 2025, Board meeting updated for the April 11, 2025 Board meeting. It was developed in consultation with Susan Radwan and the Operations Committee.

Important Note: Given the 2/28/25 MDHHS announcement of the reprourement of PIHPs with a 10/1/26 transition date it is important that the Board and management focus on the potential possibility of SWMBH ceasing operations 10/1/26 with a six-month run out period for financial and other reporting obligations through 3/31/27. This impacts short- and medium-term planning and Board directions to management.

At the April Board meeting management proposed Strategic Imperatives as a. don't lose the PIHP contract, b. repair the regional Medicaid margin and c. prepare CMHs and/or the Regional Entity for coming changes in federal and state funding and managed care approach. These deserve further conversation to assure Board support or modify these.

Proposed Board Motion for each Sub-End:

The Board accepts the Interpretation as reasonable.

The Board finds the data to be unavailable at this time and expects compliant data with the next scheduled monitoring report for these Sub-Ends.

SUB END 2: Member CMHs are aware of environmental disruptors and trends and benefit from SWMBH's regional and statewide regulatory and public relations advocacy impacting the Mental Health Community.

Interpretation: This Sub End means SWMBH seeks, aggregates, compiles, and analyzes business disruption trends and federal & state policy and funding changes for the public behavioral health system. Member CMHs will receive comprehensive communications and products for the benefit of CMHs and providers that aid their understanding of and remediation of external threats. Bulletins will be provided to CMH boards and all standing committees. ~~;~~ additional quarterly briefing meetings will be held. SWMBH will strengthen regional advocacy efforts resulting in favorable impacts. SWMBH will generate and if resources permit prepare and publish community and media relations material highlighting the services and successes of CMHs.

Achievement will be demonstrated with the a. release of a regional Public Policy Plan by DATE6/9/25, ~~and b.~~ publication of the first related Bulletin ~~will be published by~~ DATE6/9/25 and c. release of a regional portfolio of CMH public relations materials by 7/14/25.

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Metric: Achievement of awareness will be demonstrated when 80% of the regional committees have this on the agenda and actively discuss it at least two times a year. Achievement of benefit will be demonstrated with one demonstrable favorable policy or funding outcomes for the region by 9/30/25 and another by 9/30/26.

To demonstrate we have met the metric of awareness, data will be pulled via an audit of committee minutes.

To demonstrate a benefit has occurred we will provide evidence of state regulatory policies and regional revenue gains that are in alignment with our requests.

Activities and external audit results below may in part be used to influence and prove achievement of the Sub End.

1. CMHs will be invited to participate in development of the regional public policy plan.
2. Update Regional Committee meeting agendas to incorporate a standing item related to this, such as SWMBH monitors changes to the Code of Federal Regulations and ACA 1557.
3. SWMBH staff participation in Workgroups tasked with assisting with policy development at the statewide level. Examples: Program Integrity – Compliance Officers, Chief Information Officer Forum, Customer Services, Utilization Management. Said participation will result in engagement with CMHs, maximized influence and ultimately favorable state policy and funding changes.
4. CEO to rejoin CMHAM legislative and policy committee.
5. CEO to maintain membership on MDHHS Opioids Task Force, Michigan Health and Hospital Association Behavioral Integration Council and other influential groups.

Proposed Board Motion for each Sub-End:

The Board accepts the Interpretation as reasonable.

The Board finds the data to be unavailable at this time and expects compliant data with the next scheduled monitoring report for this Sub-End.

Sub End 4: Member CMHs and other providers assure and monitor ready access to appropriate programs and services for their consumers and contribute accurate data so

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General consensus is we have immediate existential threats SWMBH can create aggregated, comprehensive, and comparative regional results which supports access to maximum funding available.

Interpretation: This Sub End means SWMBH serves as a regional business intelligence hub regularly providing actionable management information for CMHs and providers.

- a) supporting the achievement of improvements in access, quality and functional improvements for persons served, and
- b) improving efficiencies and reducing costs for clinical and administrative functions.

Achievement will be demonstrated ~~by DATE~~ with a. the release of a regional Management Information – Business Intelligence Plan by 7/14/25, b. ~~By DATE, release of the first related Bulletin by 7/14/25 and c. publication of a population health report for each county by 8/11/25.~~ ~~will be published.~~

Metrics:

- ~~• Achievement will be indicated by improving the fiscal year 2025 geographical factor of XXX to YYY or above for Fiscal Year 2026.~~
- ~~• Installation of clinical functional improvement baseline data report and structure by DATE.~~

Activities and external audit results below may in part be used to influence and prove achievement of the Sub End.

1. Access Standards through site reviews and HSAG results, MMBPIS reports, utilization comparisons with SUE report
2. Consumer Advisory Committee (CAC) – summary of activity
3. Annual Network Adequacy Results
4. Provider Site Review Findings
5. Data from submissions from the CMHs: Compliance Activity Report; Denial Files; Grievance & Appeals; Credentialing Activities
6. HSAG External Quality Compliance Review (EQR) Results and Improvement Strategies
7. HSAG Performance Measure Validation (PMV) Audit Results and Improvement Strategies

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8. Critical Incident Reporting timeliness and efficiency data
9. SUD Home Health Metrics
10. Behavioral Health Treatment Episode Data Set (BH TEDS) completion benchmarks
11. Customer Services Survey Results
12. Michigan Mission Based Performance Improvement System Results

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Interpretation / Definition of Key Concepts

Glossary:

Accurate: free from error especially as the result of care; conforming exactly to truth or *to* a standard

Advocacy: the act or process of supporting a cause or proposal : the act or process of advocating

Aggregated: taking all units as a whole

Appropriate: especially suitable or compatible

Benefit/Benefitting: to be useful or profitable to; to receive help or an advantage

Collaborating/Collaborative: to work jointly with others or together especially in an intellectual endeavor

Comparative: characterized by systematic comparison especially of likenesses and dissimilarities

Comprehensive: covering completely or broadly

Disruptor: to interrupt the normal course or unity of; to cause upheaval in

Environmental: the factors and influences that affect the growth, health, progress, functioning, etc., of something

Lessons learned: insights gained from experiences

Optimizing: to make as perfect, effective, or functional as possible

Partnership: a relationship resembling a legal partnership and usually involving close cooperation between parties having specified and joint rights and responsibilities

Reciprocal: consisting of or functioning as a return in kind; mutually corresponding

Relationship: a state of affairs existing between those having dealings

Resources: a source of supply or support; a source of information or expertise

Responsive: quick to respond or react appropriately or sympathetically

Stewardship: the careful and responsible management of something entrusted to one's care

Sustainable: using a resource so that the resource is not depleted or permanently damaged

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Transparent: characterized by visibility or accessibility of information especially concerning business practices

Trends: a prevailing tendency or inclination; a line of development

Value: to consider or rate highly

DISCUSSION DRAFT



May 9, 2025, Board Planning Session

10:30 am to 3:00 pm after 9:30 – 10:15 am Board Meeting

Location Air Zoo Facilitator Scott Dzurka

Draft 4/3/25

Objectives: Develop remediation plans for regional deficits. Discuss public policy advocacy needs. Prioritize strategic imperatives.

10:30 – 10:35 Welcome and Objectives (Sherii)

10:35 – 11:00 Meeting process and Board Member statements (Scott Dzurka)

11:00 – 11:30 State Representative Julie Rogers, State Legislative Branch Developments

11:30 – 12:15 Financial Remedies. PIHP Procurement Threats and Opportunities.

12:15 – 1:00 Lunch

1:00 – 2:30 Federal developments, Strategic Imperatives and Advocacy Plan (d)

2:30 - 2:45 Summary and Next Steps (Scott Dzurka)

2:45 Adjourn

Southwest Michigan

BEHAVIORAL HEALTH

Section: Board Policy – Governance		Policy Number: BG-010	Pages: 1
Subject: Board Committee Principles		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input checked="" type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO			Required Reviewer: SWMBH Board
Effective Date: 03.14.2014	Last Review Date: 4/12/24	Past Review Dates: 03.13.15, 04.10.15, 4/8/16, 4/14/17, 4/13/18, 4/12/19, 4/10/20, 4/9/21, 4/8/22, 6/9/23	

I. PURPOSE:

To define SWMBH Board committee principles.

II. POLICY:

Board committees, when used, will be assigned so as to reinforce the wholeness of the Board’s job and to not interfere with delegation from the Board to the EO. Board committees, when used, will be assigned so as to reinforce the wholeness of the Board’s job and to not interfere with delegation from the Board to the EO. This policy applies to any group that is formed by Board action, whether or not it is called a committee and regardless of whether the group includes Board members. It does not apply to committees formed under the authority of the EO.

III. STANDARDS:

Accordingly the Committees shall:

1. Assist the Board by preparing policy alternatives and implications for Board deliberation. In keeping with the Board’s broader focus, Board committees will normally not have direct dealings with current staff operations.
2. Not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Refrain from speaking or acting on behalf of the Board except when formally given such authority for specific and time-limited purposes.
- ~~3.~~ ~~Not exercise authority over staff. Refrain from exercising authority over staff.~~
- ~~4.3.~~ _____
- ~~5.4.~~ _____ Be used sparingly and ordinarily in an ad hoc capacity.
- ~~6.5.~~ ~~This policy applies to any group that is formed by Board action, whether or not it is called a committee and regardless of whether the group includes Board members. It does not apply to committees formed under the authority of the EO.~~

SWMBH Board Policy Manual

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SWMBH Policy Manual *Uninterrupted*

Ends (Proposed to align with PG Philosophy)

1.0 Global End

As a benefits manager of state and federal funds, SWMBH exists to assure that member agencies and providers create sustainable programs and provide specialty services so that persons in the SWMBH region have access to appropriate resources and experience improvements in their health status and quality of life, optimizing self-sufficiency, recovery, and family preservation. Quality services are provided while minimizing costs through efficient stewardship of human, financial, and technology resources available and use of shared knowledge.

- 1.1 Member CMH boards, EOs, and staff value the partnership with SWMBH, and experience the relationship as collaborative, transparent, responsive, and reciprocal.
- 1.2 Member CMHs are aware of environmental disruptors and trends and benefit from SWMBH's regional and statewide regulatory and public relations advocacy impacting the Mental Health Community.
- 1.3 Member CMHs have the resources needed to address their communities' individualized needs, successfully access appropriate resources and successfully meet contractual obligations (*including managed care functions*).
- 1.4 Member CMHs and other providers assure and monitor ready access to appropriate programs and services for their consumers and contribute accurate data so SWMBH can create aggregated, comprehensive, and comparative regional results which supports access to maximum funding available.
- 1.5 The SWMBH regional partners align with best practice, learning from each other, collaborating, sharing resources, and benefitting from lessons learned.

Section 2: Executive Limitations (reordered with recommended changes)

2.0 POLICY: Global Executive Constraint (formerly BEL009)

The Executive Officer (EO) shall not cause or allow any practice, activity, decision, or organizational circumstance which is either ~~illegal~~ *unlawful*, imprudent, in violation of commonly accepted business and professional ethics or in violation of contractual obligations.

2.1 POLICY: Treatment of Plan Members (formerly BEL005)

With respect to interactions with Plan members, the SWMBH EO shall not allow conditions, procedures, or processes which are unsafe, disrespectful, undignified, unnecessarily intrusive, or which fail to provide appropriate confidentiality and privacy.

Further, including but not limited to, the Executive Officer may not:

- 2.1.1. Use forms or procedures that elicit information for which there is no clear necessity.
- 2.1.2. Use methods of collecting, reviewing, or storing plan member information that fail to protect against improper access to the information elicited.
- 2.1.3. Fail to provide procedural safeguards for the secure transmission of Plan members' protected health information.
- 2.1.4. Fail to establish with Plan members a clear contract of what may be expected from SWMBH including but not limited to their rights and protections.
- 2.1.5. Fail to inform Plan members of this policy or to provide a grievance process to those plan members who believe that they have not been accorded a reasonable interpretation of their rights under this policy.

2.2 POLICY: Treatment of Staff (formerly BEL004)

With respect to the treatment of paid and volunteer staff, the EO shall not cause or allow conditions that are unfair, undignified, disorganized, or unclear.

Further, including but not limited to, the Executive Officer may not:

- 2.2.1. Operate without written personnel rules that:
 - a. Clarify rules for staff
 - b. Provide effective handling of grievances, and
 - c. Protect against wrongful conditions such as nepotism and grossly preferential treatment for personal reasons.
- 2.2.2. Retaliate against any staff member for expression of dissent.
- 2.2.3. Fail to acquaint staff with the EO interpretation of their protections under this policy.
- 2.2.4. Allow staff to be unprepared to deal with emergency situations.

2.3 POLICY: Financial Planning and Budgeting (formerly BEL001)

Budgeting any fiscal year or the remaining part of any fiscal year shall not deviate from Board Accomplishments/Results/Ends priorities, risk fiscal jeopardy, or fail to be derived from multi-year plan.

Further, including but not limited to, the Executive Officer may not allow budgeting which:

- 2.3.1. Contains too little information or omits information to enable credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
- 2.3.2. Plans the expenditures in any fiscal year of more funds than are conservatively projected to be available for that period.
- 2.3.3. Provides less than is sufficient for board prerogatives, such as costs of fiscal audit, Board development, Board and Committee meetings, and Board legal fees.
- 2.3.4. Endangers the fiscal soundness of future years or ignore the building of organizational capability sufficient to achieve future ends.

2.4 POLICY: Financial Conditions and Activities (formerly BEL002)

With respect to the actual, ongoing condition of the organization's financial health, the Executive Officer may not cause or allow the development of fiscal jeopardy or the material negative deviation of actual expenditures from board priorities established in policies and inclusive of annual budget.

Further, including but not limited to, the Executive Officer may not:

- 2.4.1. Expend more funds than have been received in the fiscal year to date (including carry forward funds from prior year).

- 2.4.2. Incur debt in an amount greater than can be repaid by certain and otherwise unencumbered revenues in accordance with Board approved schedule.
- 2.4.3. Use any designated reserves other than for established purposes.
- 2.4.4. Conduct interfund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain and otherwise unencumbered revenues within ninety days.
- 2.4.5. Fail to settle payroll and debts in a timely manner.
- 2.4.6. Allow tax payments or other government-ordered payments of filings to be overdue or inaccurately filed.
- 2.4.7. Make a single purchase or commitment of greater than \$100,000 in a fiscal year, except for participant CMH contracts and Region 4 Clinical Service Providers. Splitting orders to avoid this limit is not acceptable.
- 2.4.8. Purchase or sell real estate in any amount.
- 2.4.9. Fail to aggressively pursue receivables after a reasonable grace period.
- 2.4.10. Assure that total direct fiscal year annual costs payable to MCHE shall not exceed \$5,000.
 - 2.4.10.1 *Exception:* Group purchases which in the EO's judgment are required and have more favorable terms than an independent purchase by SWMBH. In the event of an urgent payment required, EO shall contact SWMBH Board Chair for guidance.

2.5 POLICY: Asset Protection (formerly BEL003)

The Executive Officer shall not cause or allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.

Further, including but not limited to, the Executive Officer may not:

- 2.5.1. Subject facilities and equipment to improper wear and tear or insufficient maintenance.
- 2.5.2. Leave intellectual property, information and files unprotected from loss or significant damage.
- 2.5.3. Allow physical assets to be uninsured against theft and property losses at an appropriate level and against liability losses to board members, staff and the organization itself in an amount greater than the average for comparable organizations.
- 2.5.4. Compromise the independence of the Board's audit or other external monitoring or advice, such as by engaging parties already chosen by the Board as consultants or advisers.
- 2.5.5. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.
- 2.5.6. Change the organization's name or substantially alter its identity in the community.
- 2.5.7. Allow unbonded personnel access to material amounts of funds.
- 2.5.8. Unnecessarily expose the organization, its Board, or Staff to claims of liability.
- 2.5.9. Make any purchases:
 - i. Wherein normally prudent protection has not been given against conflict of interest
 - ii. Inconsistent with federal and state regulations related to procurement using SWMBH funds
 - iii. Of more than \$100,000 without having obtained comparative prices and quality
 - iv. Of more than \$100,000 without a stringent method of assuring the balance of long-term quality and cost.
- 2.5.10. Receive, process, or disburse under controls that are insufficient to meet the Board-appointed auditor's standards.

- 2.5.11. Invest or hold operating capital and risk reserve funds in instruments *at the expense of safety and liquidity.*

2.6 POLICY: Investments

The Executive Officer will not cause or allow investment strategies or decisions that pursue a high rate of return at the expense of safety and liquidity.

Further, including but not limited to, the Executive Officer may not:

- 2.6.1 Make investment decisions without consultation and guidance of an independent qualified investment advisor.
- 2.6.2 Ignore these priority values in investment decisions
 - Preservation of principal.
 - Income generation.
 - Long term growth of principal.
 - Protected from bank failures.
- 2.6.3 invest or hold capital in insecure instruments except where necessary to facilitate ease in operational transactions
- 2.6.4 invest without establishing a comparative benchmark to demonstrate investment performance.

2.7 POLICY: Compensation and Benefits

With respect to employment, compensation and benefits to employees, consultants, contract workers, Interns and volunteers, the Executive Officer (EO) shall not cause or allow jeopardy to financial integrity or to public image.

Further, including but not limited to, the Executive Officer may not:

- 2.7.1. Change the EO's own compensation and benefits.
- 2.7.2. Promise permanent or guaranteed employment.
 - 2.7.2.1 Exception: Time-limited Executive Employment and Professional Services Agreements with termination clauses are permissible.
- 2.7.3. Establish current compensation and benefits which:
 - 2.7.3.1 Deviate materially from the geographic and professional market for the skills employed.
 - 2.7.3.2 Create obligations over a longer term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.
 - 2.7.3.3 Fail to solicit or fail to consider staff preferences.
- 2.7.4. Establish or change retirement benefits so the retirement provisions:
 - 2.7.4.1. Cause unfunded liabilities to occur or in any way commit the organization to benefits that incur unpredictable future costs.
 - 2.7.4.2. Provide less than some basic level of benefits to all full-time employees. Differential benefits which recognize and encourage longevity are not prohibited.
 - 2.7.4.3 Make revisions to Retirement Plan documents.
 - 2.7.4.4 Implement employer discretionary contributions to staff.

2.8 POLICY: Emergency Executive Officer Succession (formerly EO-003)

In order to protect the Board from sudden loss of the Executive Officer services, the Executive Officer will have no less than two executives identified to the Board sufficiently familiar with Board and Executive Officer issues and processes to enable them to take over with reasonable proficiency as an interim Executive Officer if called upon by the Board.

2.9 POLICY: Communication and Support to the Board (formerly BEL-008)

The Executive Officer shall not cause or allow the Board to be uninformed or unsupported in its work.

Further, including but not limited to, the Executive Officer may not:

- 2.9.1. Neglect to submit monitoring data required by the Board *on the schedule established by the Board* in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored, and including Executive Officer interpretations as well as relevant data.
- 2.9.2. Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy of the Board regardless of the Board's monitoring schedule.
- 2.9.3. Allow the Board to be without decision information required periodically by the Board or let the Board be unaware of relevant trends.
- 2.9.4. Let the Board be unaware of any significant incidental information it requires including anticipated media coverage, threatened or pending lawsuits, and material internal and external changes, including:
 - a. the status of uniform benefits across the region (from 2.1.3)
 - b. timely and accurate investment reports
 - c. information related to MCHE, including
 - i. semi-annual written MCHE status reports to the SWMBH Board in April and October
 - ii. verbal reports to the SWMBH Board if there are MCHE related items of importance which in the Executive Officer's judgment materially affect favorably or unfavorably SWMBH's core roles, strategy, or finances;
 - iii. MCHE Articles of Incorporation revisions and bylaws to the Board prior to voting on them and after adoption by MCHE.
- 2.9.5. Allow the Board to be unaware that, in the Executive Officer's opinion, the Board is not in compliance with its own policies, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the Executive Officer.
- 2.9.6. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.
- 2.9.7. Allow the Board to be without a workable mechanism for official Board, Officer, or Committee communications.
- 2.9.8. Deal with the Board in a way that favors or privileges certain Board Members over others, except when fulfilling individual requests for information or responding to Officers or Committees duly charged by the Board.
- 2.9.9. Fail to submit to the Board a consent agenda containing items delegated to the Executive Officer yet required by law, regulation, or contract to be Board-approved, along with applicable monitoring information.

Section 3: Governance Process Policies

3.0 Global Governance Commitment

The purpose of the Board who serve as the stewards of funding available for mental health services in the Southwest Region of Michigan, on behalf of the State of Michigan and the founding Plan Members, is to see to it that SWMBH achieves appropriate impacts through its Plan Members at an appropriate value and to assure that the organization avoids unacceptable situations and risks.

3.1 Governing Style and Commitment (formerly BG-011)

The Board will govern lawfully and in compliance with the agency's bylaws, observing the principles of the Policy Governance model, with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and Chief Executive roles, (e) collective rather than individual decisions, (f) future rather than past or present focus, and (g) proactivity rather than reactivity.

Accordingly, the SWMBH Board shall:

- 3.1.1 Cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board will not use the expertise of individual member to substitute for the judgment of the Board, although the expertise of individual members may be used to enhance the understanding of the Board as a body.
- 3.1.2 Direct, control, and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts, not on administrative or programmatic means of attaining those effects.
- 3.1.3 Enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policy-making principles, respect of roles, and ensuring the continuance of governance capability. Although the Board can change its governance process policies at any time, it will observe those currently in force.
- 3.1.4 Conduct continual Board development, including orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.
 - 3.1.4.1 New Board Members shall be required to complete an initial orientation for purposes of enhancing their knowledge of the roles and responsibilities of SWMBH as an agency, and their understanding to assist in governance decision-making. Specifically, they shall be provided the following information:
 - Governance Documents (Hierarchical)
 - SWMBH Board Bylaws
 - SWMBH Operating Agreement

- Michigan Consortium of Healthcare Excellence Bylaws (MCHE)
- Ends, Proofs and Strategy
 - Previous and Current Years' SWMBH Board Ends and Proofs
- Context
 - SWMBH General PowerPoint
 - Current SWMBH Board Meeting Calendar and Roster
- New Board Members will be offered a live/remote briefing for each functional area leader.

3.1.5 Allow no officer, individual, or committee of the Board to hinder or be an excuse for not fulfilling group obligations.

3.1.6 The Board will monitor and discuss the Board's process and performance periodically. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process and Board-Management Delegation categories.

3.2 POLICY: Board Member Job Description (formerly BG-008)

Specific job outputs of the Board, as informed agents of ownership, are those that ensure appropriate organizational performance.

Accordingly, to distinguish the Board's own unique job from the jobs of its staff, the Board will concentrate its efforts on the following job "products" or outputs:

- 3.2.1 The link between Southwest Michigan Behavioral Health and CMH Boards of the Plan Members.
- 3.2.2 Written governing policies which, at the broadest levels, address:
 - a. Ends: Organizational products, impacts, benefits, outcomes, recipients, and their relative worth (what good for which needs at what worth to the organization).
 - b. Executive Limitations: Constraints on executive authority which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
 - c. Governance Process: Specification of how the Board conceives carries out and monitors its own task.
 - d. Board-EO Delegation: How Board expectations are assigned and properly monitored; the EO role, authority and accountability.
- 3.2.3 The assurance of organizational and EO performance.

3.3 POLICY: Board Code of Conduct (formerly BG-007)

The Board commits itself to ethical, lawful, and businesslike conduct including proper use of authority and appropriate decorum when acting as Board Members.

Accordingly:

- 3.3.1 SWMBH Board Members represent the interests of Southwest Michigan Behavioral Health. This accountability supersedes any potential conflicts of loyalty to other interests including advocacy or interest groups, membership on other Boards, relationships with others or personal interests of any Board Member. As a result, Board members will follow the SWMBH Conflict of Interest Policy (contained in Appendix ____.)
 - 3.3.1.1 Conflict of Interest is defined as any actual or proposed direct or indirect financial relationship or ownership interest between the Board Member and any entity with which SWMBH has or proposes to have a contract, affiliation, arrangement or other transaction.
 - 3.3.1.2 When a Member either must recuse themselves or chooses to recuse themselves from voting on a Board decision their prior potential vote count will be removed from the vote tally denominator; however, when a Member abstains from voting on a Board decision their potential vote count will not be removed from the vote tally denominator.
- 3.3.2 Members will respect the confidentiality appropriate to issues of a sensitive nature including, but not limited to, those related to client privacy laws, substance abuse services, or SWMBH business or strategy.
- 3.3.3 Members will be properly prepared for Board deliberation as well as educate themselves on the SWMBH Compliance Plan and Code of Conduct.
- 3.3.4 Member will support the legitimacy and authority of the final determination of the Board on any matter, without regard to the Member's personal position on the issue.
- 3.3.5 Persons who have been excluded from participation in Federal Health Care Programs may not serve as Board Members.
 - 3.3.5.1 If a Board Member believes they will become an excluded individual, that member is responsible for notifying the SWMBH Compliance Department. The Board Member is responsible for providing information necessary to monitor possible exclusions.
 - 3.3.5.1.1 SWMBH shall periodically review Board Member names against the excluded list per regulatory and contractual obligations.
- 3.3.6 SWMBH Board members will establish, and encourage throughout its region, cultures that promote prevention, detection, and resolution of instances of misconduct in order to conform to applicable laws and regulations.
 - 3.3.6.1 Members have a duty to report to the SWMBH Chief Compliance Officer any alleged or suspected violation of the Board Code of Conduct or related laws and regulations by themselves or another Board Member.

- 3.3.6.2 SWMBH Board Members shall cooperate fully in any internal or external Medicaid or other SWMBH funding stream compliance investigation.
- 3.3.6.3 Failure to comply with the Compliance Plan and Board Code of Conduct may result in the recommendation to a Participant CMH Board for the member's removal from the SWMBH Board.
- 3.3.6.4 Members will participate in Board compliance trainings and educational programs as required.
- 3.3.6.5 Members will use due care not to delegate substantial discretionary authority to individuals whom they know, or should have known through due diligence, who have a propensity to engage in illegal activities.
- 3.3.7 Board Members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
 - 3.3.7.1 Members' interaction with the Executive Officer or with staff must recognize the lack of authority vested in individuals except when explicitly Board-authorized.
 - 3.3.7.2 Members' commenting on the agency and Executive Officer performance must be done collectively and in regard to explicit Board policies.
- 3.3.8 Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board Member to speak for the Board unless provided in policy, *or specifically authorized by the board through an officially passed motion of the Board.*

3.4 POLICY Annual Board Planning Cycle (formerly BG-006)

To accomplish its job products with a governance style consistent with board policies, the board will follow an annual agenda cycle which (a) drives exploration of Ends concerns, (b) continually improves board performance through board education and enriched input and deliberation, and (c) re-examines the relevance of the underlying values that support existing policy.

- 3.4.1 The board calendar shall generally follow this sequence:
 - Jan-March Ownership Linkage Activity
 - April-May: Environmental Scan and Strategic Imperatives Review with Board.
 - May-- Board Retreat
 - June – Develop Board's Cost of Governance, *per Policy 3.8*
 - July – 24 month Ends Interpretation and Metrics are presented for review for reasonableness and further input on Mission, Capital, Market, Growth, Products, Alliances
 - September- Budget Board review and approval *if in alignment with the budget policy 2.3.*
 - November – Annual Evaluation of the EO after review of Ends and Executive Limitations monitoring reports received in the last year.
 - December – Approval of the annual plan of Board work.
- 3.4.2 Performance assessment will follow the policy monitoring calendar established in Appendix A for both operational performance on Ends and Executive Limitations and Board performance against Governance Process and Board Management Delegation policies.

- 3.4.3 The cycle will start with the board's development of its own strategic exploration agenda for the next year.
 - 3.4.3.1. Consultations with selected groups in the ownership, or other methods of gaining ownership input will be determined and arranged by August 31 to be held during the balance of the next fiscal year.
 - 3.4.3.2. Governance education, and education related to Ends determination, (e.g. presentations by futurists, demographers, advocacy groups, staff, etc.) will be engaged by October 31 to be held during the balance of the fiscal year.
- 3.4.4 The Board will formally review all Board policies annually for consideration of relevance and consistence with Policy Governance.

Commented [SR1]: This policy was approved Mar 14, 2025

3.5 POLICY: Board Chair Role (formerly BG-005)

The Chair shall be a specially empowered member of the Board who shall be responsible for ensuring the integrity of the Board's process and occasionally represents the Board to outside parties.

Accordingly:

- 3.5.1. The result of the Chair's job is that the Board acts consistently with its own rules and those legitimately imposed upon it from outside the organization.
 - 1. Meeting discussion content will consist of issues that clearly belong to the Board to decide or to monitor according to Board policy.
 - 2. Information that is neither for monitoring Board or enterprise performance nor for Board decisions will be avoided or minimized.
 - 3. Deliberation will be fair, open, and thorough, but also timely and orderly.
 - 4. Every effort will be made to assure a psychologically safe environment for all engaging during any board meeting.
- 3.5.2 The authority of the Chair consists in making decisions that fall within topics covered by Board policies on Governance Process and Board-Management Delegation, with the exception of (i) employment or termination of the EO and (ii) areas where the Board specifically delegates portions of this authority to others. The Chair is authorized to use any reasonable interpretation of the provision in these policies.
- 3.5.3 The Chair is empowered to preside over all SWMBH Board meetings with all the commonly accepted power of that position, such as agenda review, ruling, and recognizing.
- 3.5.4 The Chair has no authority to make decisions about policies created by the Board within *Ends* and *Executive Limitations* policy areas. Therefore, the Chair has no authority to supervise or direct the EO.
- 3.5.5 The Chair may represent the Board to outside parties in announcing Board-stated positions and in stating Chair decisions and interpretations within the area delegated to that role. The Chair may delegate this authority but remains accountable for its use.

3.6 POLICY: Board Committee Principles (formerly BG-010)

Board committees, when used, will be assigned so as to reinforce the wholeness of the Board's job and to not interfere with delegation from the Board to the EO. This policy applies to any group that is formed by Board action, whether or not it is called a committee and regardless of

whether the group includes Board members. It does not apply to committees formed under the authority of the EO.

Accordingly, the Committees shall:

- 3.6.1 Assist the Board by preparing policy alternatives and implications for Board deliberation. In keeping with the Board's broader focus, Board committees will normally not have direct dealings with current staff operations.
- 3.6.2 Refrain from speaking or acting on behalf of the Board except when formally given such authority for specific and time-limited purposes.
- 3.6.3 Refrain from exercising authority over staff.
- 3.6.4 Be used sparingly and ordinarily in an ad hoc capacity.

3.7 POLICY: Board Committees (formerly BG-001)

A committee is a Board Committee only if *its* existence and charge come from the Board, *and it helps the board do its own work* regardless whether Board Members sit on the committee. Unless otherwise stated, a committee ceases to exist as soon as its work is complete.

Audit Committee *appointed on Mar 14, 2025 needs membership, authority, deliverables delineated.*

3.8 POLICY: Cost of Governance

Because poor governance costs more than learning to govern well, the board will invest in its governance capacity.

Accordingly:

- 3.8.1 Board skills, methods, and supports will be sufficient to assure governing with excellence.
 - 3.8.1.1 Training and retraining will be used liberally to orient new members and candidates for membership, as well as to maintain and increase existing member skills and understandings.
 - 3.8.1.2 Outside monitoring assistance will be arranged so that the board can exercise confident control over organizational performance. This includes, but is not limited to, fiscal audit.
 - 3.8.1.3 Outreach mechanisms will be used as needed to ensure the board's ability to listen to owner viewpoints and values.
- 3.8.2 Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability. The Board will develop its budget by March each year to assure its inclusion in the overall budget and will include allowances for:
 - A training, including attendance at conferences and workshops.
 - B audit and other third-party monitoring of organizational performance.
 - C surveys, focus groups, opinion analyses, and meeting costs.

Section 4: Board-Management Delegation

4.0 POLICY: Global Board-Management Delegation (formerly BG-002)

The Board's official connection to the operational organization, its achievements and conduct will be through its chief executive officer, titled Executive Officer, however, the Fiscal Officer and Chief Compliance Officer shall have direct access to the Board on matters of internal audited compliance with Board policy.

4.1 POLICY: Unity of Control (formerly BG-003)

Only officially passed motions of the Board are binding on the EO.

Accordingly:

- 4.1.1 Decisions or instructions of individual Board Members, Officers, or Committees are not binding on the Executive Officer (EO) except in instances when the Board has specifically authorized such exercise of authority.
- 4.1.2 In the case of Board Members or Committees requesting information or assistance without Board authorization, the EO can refuse such requests that require, in the EO's opinion, a material amount of staff time or funds, or are disruptive.

4.2 POLICY: Accountability of the Executive Officer (formerly EO-001)

The EO is accountable to the board acting as a body. The Board will instruct the EO through written policies or directives consistent with Board policies, delegating to the EO the interpretation and implementation of those policies and Ends.

Accordingly:

- 4.2.1 The Board will not give instructions to persons who report directly or indirectly to the EO.
- 4.2.2 The Board will not evaluate, either formally or informally, any staff other than the EO.
- 4.2.3 The board will view EO performance as identical to organizational performance, so that organizational accomplishment of board stated Ends and avoidance of board proscribed means will be viewed as successful EO performance.

4.3 POLICY: Delegation to the Executive Officer

The board will instruct the EO through written policies which prescribe the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the EO to use any reasonable interpretation of these policies.

Accordingly:

- 4.3.1 The board will develop policies instructing the EO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.
- 4.3.2 The board will develop policies which limit the latitude the EO may exercise in choosing the organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies.
- 4.3.3 As long as the EO uses any reasonable interpretation of the board's Ends and Executive Limitations policies, the EO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.
- 4.3.4 The board may change its Ends and Executive Limitations policies, thereby shifting the boundary between board and EO domains. By doing so, the board changes the latitude of choice given to the EO. But as long as any particular delegation is in place, the board will respect and support the EO's choices.

4.4 POLICY: Monitoring EO Performance (formerly EO-002)

Monitoring Executive Officer performance is synonymous with monitoring organizational performance against Board policies on Ends and on Executive Limitations. Any evaluation of EO performance, formal or informal, may be derived from these monitoring data.

Accordingly,

- 4.4.1 The purpose of monitoring is to determine the degree to which Board policies are being fulfilled. Information that does not do this will not be considered to be monitoring.
- 4.4.2 A given policy may be monitored in one or more of three methods with a balance of using all of the three types of monitoring:
 - Internal report: Disclosure of compliance information to the Board from the Executive Officer.
 - External report: Discovery of compliance information by a disinterested, external auditor, inspector or judge who is selected by and reports directly to the Board. Such reports must assess Executive Officer performance only against policies of the Board, not those of the external party unless the Board has previously indicated that party's opinion to be the standard.
 - Direct Board inspection: Discovery of compliance information by a Board Member, a Committee, or the Board as a whole. This is a Board inspection of documents, activities or circumstances directed by the Board which allows a "prudent person" test of policy compliance.
- 4.4.3 Upon the choice of the Board, any policy can be monitored by any method at any time. For regular monitoring, however, each Ends and Executive Limitations policy will be classified by the Board according to frequency and method.
- 4.4.4 Each November the Board will have a formal evaluation of the EO. This evaluation will consider monitoring data as defined here and as it has appeared over the calendar year.
 - 4.4.4.1 The Executive Committee, (Chair, Vice Chair, and Secretary), will take data and information from the bulleted documents below upon which the annual performance of the EO will be evaluated. The overall evaluation consists of compliance with Executive Limitations Policies, Ends Interpretation and Ends Monitoring reports and supporting documentation, (as per the Board developed schedule), and follow through on Board requests, (what we ask for in subsequent meetings and what we want to see on the agendas).

For the performance review, the following should be documents given the Executive Committee at least one month prior (October)

- Minutes of all meetings
- Ends Monitoring reports for the past year along with the Ends Interpretation for each Ends Monitoring report
- Any supporting Ends documentation
- Ends Monitoring Calendar
- Other policies monitoring calendar

Appendix A: Southwest Michigan Behavioral Health Board Policy Review Calendar Year 2024

Policy Number	Policy Name	Board Review	Reviewer	
Board Governance (Policy Review)				
1.0 et al	Board Ends and Accomplishments	January	Board	
3.4	Annual Board Planning	April	Board	
3.3	Code of Conduct	February	Board	
3.7	Committee Structure	March	Board	
3.6	Board Committee Principles	April	Board	
3.1	Governing Style & Commitment	May	Board	
	Open Meetings Act and Freedom of Information Act	June	Board	
3.2	Board Member Job Description	September	Board	
3.8	Cost of Governance	?	Board	
3.5	Board Chair Role	December	Board	
Direct Inspection (Reports)				
2.3	Budgeting	March	Naccarato	GG
2.7	Compensation and Benefits	August	Barnes	AW
2.4	Financial Conditions	October	Csokasy	GG
2.6	Investments	August	Sherban	GG
2.2	Treatment of Staff	August	Perino	AW
2.1	Treatment of Plan Members	September	Csokasy	AW/SA
2	Global Executive Constraints	July	Meny	BC
2.9	Communication and Counsel	September	Schmelzer	BC
	RE 501 (c) (3) Representation	November	Sherban	BC
2.5	Asset Protection	December	Krogh	
2.8	EO Emergency Succession	October	?	GG

Southwest Michigan

BEHAVIORAL HEALTH

Section: Board Policy – Executive Limitations	Policy Number: BEL-001	Pages: 1
Subject: Budgeting	Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO		Required Reviewer: SWMBH Board
Effective Date: 02.14.2014	Last Review Date: 4/12/24 BC comments on Susan R. version	Past Review Dates: 8.8.14, 11/13/15, 1/13/17, 1/12/18, 1/11/19, 1/10/20, 2/12/21, 3/11/22, 4/14/23

I. PURPOSE:

II. POLICY:

Budgeting any fiscal year or the remaining part of any fiscal year shall not deviate from Board Accomplishments/Results/Ends priorities, risk fiscal jeopardy, or fail to be derived from multi-year plan. [The finance committee might want to consider modifying “risk fiscal jeopardy” to capture what matters in the current fiscal crisis. If this policy is left as is, SWMBH will not be in compliance and it may not be the fault of the budgeting process. So, it might be wise for the committee to recommend language that would capture the current situation. I recommend adding an exception to the the policies that defines the board’s values inside this situation.](#)
Example -Exception: Given the fiscal crisis of 2025-26, budgeting shall not ignore significant reduction of expenses, yet not ignore the need to invest in our future in ways that would unify the region.

Commented [BC1]: Seems ok though might add “and take concerted effort to maximize revenues across the region.”

III. STANDARDS:

Accordingly the Executive Officer may not allow budgeting which;

1. Contains too little information or omits information to enable credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
2. Plans the expenditures in any fiscal year of more funds than are conservatively projected to be available for that period. [compliance is not likely in the next year. So is there a different value around expenditures that the board would be looking for in the handling of the budget? I recommend a revision of that policy to capture what would be imprudent or unethical in this current fiscal situation.](#)
3. Provide less than is sufficient for board prerogatives, such as costs of fiscal audit, Board development, Board and Committee meetings, and Board legal fees.

Commented [BC2]: Not sure I grasp this comment fully nor is there a specific Policy edit recommended.



Regional Entity 4
Governance Board Policy Manual

4. Endangers the fiscal soundness of future years or ignore the building of organizational capability sufficient to achieve future ends. the current situation does not allow for fiscal soundness OR building of reserves. So what would the board reject (consider unacceptable) in terms of budgeting at this point? Is it going deeper into insolvency? Perhaps the policy might say, shall not plan for a deficit of more than _____ ? That number could be a percentage or a raw number or a ratio.

Commented [BC3]: Understood. Consider add Policy language after "achieve future ends." "Related targets will be proposed by management and approved by the Board annually in the context of then current realities." Board Policies ought to be perennial meaning their content should be general enough to avoid over-detail yet direct an annual target.

5. Cannot be shared with the Board on a monthly basis. does not make sense to me. What the board should be concerned about is the Financial Conditions and Activities or Budget to Actual results. The budget is a plan that should not change over the year, unless the plan is so far off of the original budget, we need to revise. If the board wants a budget to actual report, that request should be in the Communication and Support to the Board policy with "incidental information the board desires". Not here where you are making decisions about money.
5.

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Commented [BC4]: Agreed. Simple Policy statement OK as is; we meet this readily and present a report of budget to actual on a monthly basis. Could add "Financial status reports to the Board shall be complete, accurate and timely as well as readily understandable."

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Southwest Michigan

BEHAVIORAL HEALTH

Section: Board Policy – Executive Limitation		Policy Number: BEL-002	Pages: 2
Subject: Financial Conditions		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH Executive Officer (EO)			Required Reviewer: SWMBH Board
Effective Date: 02.14.14	Last Review Date: 10.11.24	Past Review Dates: 10.12.14, 02.13.15, 5.13.16, 5.12.17, 6.8.18; 6.14.19, 06.12.20, 7.9.21, 11.11.22, 10.13.23	

I. PURPOSE:

The Executive Officer shall not cause or allow financial planning for any fiscal year or the remaining part of any fiscal year to deviate materially from the board’s Ends priorities, risk financial jeopardy, or fail to be derived from a budget plan.

II. POLICY:

With respect to the actual, ongoing condition of the organization’s financial health, the Executive Officer may not cause or allow the development of fiscal jeopardy or the material negative deviation of actual expenditures from board priorities established in policies and inclusive of annual budget.

III. STANDARDS:

Accordingly, the Executive Officer may not:

1. Expend more funds than have been received in the fiscal year to date (including carry forward funds from prior year).
2. Incur debt in an amount greater than can be repaid by certain and otherwise unencumbered revenues in accordance with Board approved schedule.
3. Use any designated reserves other than for established purposes.
4. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by certain and otherwise unencumbered revenues within ninety days.
5. Fail to settle payroll and debts in a timely manner.
6. Allow tax payments or other government-ordered payments of filings to be overdue or inaccurately filed.
7. Fail to adhere to applicable generally acceptable accounting standards.

8. Make a single purchase or commitment of greater than \$100,000 in a fiscal year, except for participant CMH contracts and Region 4 Clinical Service Providers. Splitting orders to avoid this limit is not acceptable.
9. Purchase or sell real estate in any amount absent Board authorization.
10. Fail to aggressively pursue receivables after a reasonable grace period.

Southwest Michigan

BEHAVIORAL HEALTH

Section: Board Policy- Executive Limitation		Policy Number: BEL-003	Pages: 2
Subject: Asset Protection		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH Executive Officer (EO)			Required Reviewer: SWMBH Board
Effective Date: 02.14.2014	Last Review Date: 1.10.25	Past Review Dates: 11.14.14, 12.11.15, 12.9.16, 12.8.17,12.14.18, 12.13.19, 12.11.20, 3/11/22, 12/9/22,12.8.23	

I. PURPOSE:

To establish a policy for asset protection, and financial risk management.

II. POLICY:

The Executive Officer shall not cause or allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.

III. STANDARDS:

Additionally, the Executive Officer shall not;

1. Subject facilities and equipment to improper wear and tear or insufficient maintenance.
2. Fail to protect intellectual property, information and files from loss or significant damage.
3. Fail to insure adequately against theft and casualty and against liability losses to Board Members, Staff, and the Organization itself.
4. Compromise the independence of the Board’s audit or other external monitoring or advice, such as by engaging parties already chosen by the Board as consultants or advisers.
5. Endanger the Organization’s public image or credibility, particularly in ways that would hinder its accomplishment of mission.
6. Change the organization’s name or substantially alter its identity in the community.
7. Allow un-bonded personnel access to material amounts of funds.
8. Unnecessarily expose the Organization, its Board, or Staff to claims of liability.
9. Make any purchases:
 - i. Wherein normally prudent protection has not been given against conflict of interest

- ii. Inconsistent with federal and state regulations related to procurement using SWMBH funds.
 - iii. Of more than \$100,000 without having obtained comparative prices and quality
 - iv. Of more than \$100,000 without a stringent method of assuring the balance of long-term quality and cost.
 - v. Of split orders to avoid these criteria.
10. Receive, process, or disburse under controls that are insufficient to meet the Board-appointed auditor's standards.
11. Invest or hold operating capital and risk reserve funds in instruments that are not compliant with the requirements of Michigan Public Act 20.

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BEHAVIORAL HEALTH

Section: Board Policy		Policy Number: BEL-004	Pages: 1
Subject: Treatment of Staff		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO			Required Reviewer: SWMBH Board
Effective Date: 03.14.2014	Last Review Date: 8/9/24	Past Review Dates: 12/12/14, 3/11/16, 4/14/17, 4/13/18, 5/10/19, 5/8/20, 9/10/21,9/9/22,8/11/23	

I. **PURPOSE:**

To clearly define the Treatment of SWMBH staff by SWMBH.

II. **POLICY:**

With respect to the treatment of paid and volunteer staff, the EO shall not cause or allow conditions that are unfair, undignified, disorganized, or unclear.

III. **STANDARDS:**

Accordingly the EO may not:

1. Operate without written personnel rules that:
 - a. Clarify rules for staff
 - b. Provide effective handling of grievances and
 - c. Protect against wrongful conditions such as nepotism and grossly preferential treatment for personal reasons.
2. Retaliate against any staff member for expression of dissent.
3. Fail to acquaint staff with the EO interpretation of their protections under this policy.
4. Allow staff to be unprepared to deal with emergency situations.

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BEHAVIORAL HEALTH

Section: Board Policy		Policy Number: BEL-005	Pages: 1
Subject: Treatment of Plan Members		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input checked="" type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO			Required Reviewer: SWMBH Board
Effective Date: 12.20.2013	Last Review Date: 09/13/24	Past Review Dates: 12/12/14, 1/8/16, 3/10/17, 3/18/18,8/9/19,08/14/20, 9/10/21, 10/14/22,9/8/23	

I. PURPOSE:

To clearly define the Treatment of Plan Members by SWMBH

II. POLICY:

With respect to interactions with Plan members, the SWMBH EO shall not allow conditions, procedures, or processes which are unsafe, disrespectful, undignified, unnecessarily intrusive, or which fail to provide appropriate confidentiality and privacy.

III. STANDARDS:

Accordingly the EO may not:

1. Use forms or procedures that elicit information for which there is no clear necessity.
2. Use methods of collecting, reviewing, or storing plan member information that fail to protect against improper access to the information elicited.
3. Fail to inform the Board of the status of uniform benefits across the region or fail to assist Participant CMHs towards compliance.
4. Fail to provide procedural safeguards for the secure transmission of Plan members' protected health information.
5. Fail to establish with Plan members a clear contract of what may be expected from SWMBH including but not limited to their rights and protections.
6. Fail to inform Plan members of this policy or to provide a grievance process to those plan members who believe that they have not been accorded a reasonable interpretation of their rights under this policy.

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BEHAVIORAL HEALTH

Section: Board Policy – Executive Limitations	Policy Number: BEL-006	Pages: 1
Subject: Investments	Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO		Required Reviewer: SWMBH Board
Effective Date: 04.12.2024	Last Review Date: 4/12/24	Past Review Dates:

I. **PURPOSE:**

To establish a policy guiding investments.

II. **POLICY:**

The EO shall not cause or allow investment strategies or decisions that pursue a high rate of interest at the expense of safety and liquidity.

III. **STANDARDS:**

The Executive Officer shall not

1. Make investment decisions without consultation and guidance with an independent qualified investment advisor.
2. Ignore these priority values in investment decisions:
 - Preservation of principal
 - Generation of income
 - Long term growth of principal
 - Protection from bank failures
3. Invest or hold capital in insecure instruments except where necessary to facilitate ease in operational transactions.
4. Invest without establishing a comparative benchmark to demonstrate investment performance.

Southwest Michigan

BEHAVIORAL HEALTH

Section: Board Policy Executive Limitations		Policy Number: BEL-007	Pages: 1
Subject: Compensation and Benefits		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO			Required Reviewer: SWMBH Board
Effective Date: 05.09.2014 08.15.2022	Last Review Date: 8/9/24	Past Review Dates: 11/13/15, 1/13/17, 2/9/18, 4/12/19,6/12/20, 7/09/21, 8/12/22, 8/11/23	

I. PURPOSE:

To clearly define the parameters for compensation and benefits for SWMBH staff.

II. POLICY:

With respect to employment, compensation and benefits to employees, consultants, contract workers, Interns and volunteers, the Executive Officer (EO) shall not cause or allow jeopardy to financial integrity or to public image. SWMBH shall be at or near the 75th percentile on compensation and benefits and at or near the 85th percentile on agency culture and employee satisfaction.

III. STANDARDS:

Accordingly, The EO will not:

1. Change the EO's own compensation and benefits.
2. Promise permanent or guaranteed employment. Time-limited Executive Employment and Professional Services Agreements with termination clauses are permissible.
3. Establish current compensation and benefits which:
 - a. Deviate materially from the geographic and professional market for the skills employed.
 - b. Create obligations over a longer term than revenues can be safely projected, in no event longer than one year and in all events subject to losses in revenue.
 - c. Fail to solicit or fail to consider staff preferences.
4. Establish or change retirement benefits so the retirement provisions:
 - a. Cause unfunded liabilities to occur or in any way commit the organization to benefits that incur unpredictable future costs.
 - b. Provide less than some basic level of benefits to all full-time employees. Differential benefits which recognize and encourage longevity are not prohibited.
 - c. That are instituted without prior monitoring of these provisions.
 - d. Make revisions to Retirement Plan documents without prior Board approval.

BEL-007

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- e. Implement employer discretionary contributions to staff without prior Board approval.

Southwest Michigan

B E H A V I O R A L H E A L T H

Section: Board Policy – Executive Limitations		Policy Number: BEL-008	Pages: 2
Subject: Communication and Counsel to the Board		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH Executive Officer (EO)			Required Reviewer: SWMBH Board
Effective Date: 01.10.2014	Last Review Date: 09.13.24	Past Review Dates: 10.12.14, 10.09.15, 10.14.16, 10.13.17, 10.12.18, 10.11.19, 10.9.20, 09.10.21, 10.14.22, 9.08.23	

I. PURPOSE:

To make appropriate decisions the board must be provided with accurate, timely and relevant information.

II. POLICY:

The Executive Officer shall not cause or allow the Board to be uninformed or unsupported in its work.

III. STANDARDS:

The EO will not;

1. Neglect to submit monitoring data required by the Board in Board Policy and Direction in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored, and including Executive Officer interpretations as well as relevant data.
2. Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy of the Board regardless of the Board’s monitoring schedule.
3. Allow the Board to be without decision information required periodically by the Board or let the Board be unaware of relevant trends.
4. Let the Board be unaware of any significant incidental information it requires including anticipated media coverage, threatened or pending lawsuits, and material internal and external changes.
5. Allow the Board to be unaware that, in the Executive Officer’s opinion, the Board is not in compliance with its own policies, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the Executive Officer.

6. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.
7. Allow the Board to be without a workable mechanism for official Board, Officer, or Committee communications.
8. Deal with the Board in a way that favors or privileges certain Board Members over others, except when fulfilling individual requests for information or responding to Officers or Committees duly charged by the Board.
9. Fail to submit to the Board a consent agenda containing items delegated to the Executive Officer yet required by law, regulation, or contract to be Board-approved, along with applicable monitoring information.

Southwest Michigan

BEHAVIORAL HEALTH

Section: Board- Policy Executive Limitations		Policy Number: BEL-009	Pages: 1
Subject: Global Executive Constraint		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input type="checkbox"/> SWMBH Governance Board <input checked="" type="checkbox"/> SWMBH EO			Required Reviewer: SWMBH Board
Effective Date: 11.18.2013	Last Review Date: 07.12.24	Past Review Dates: 9.12.14, 9.11.15, 9.9.16, 8.11.17,9.14.18,9.13.19,09.11.20,09.10. 21, 09.09.22, 07.14.23	

I. POLICY:

The Executive Officer (EO) shall not cause or allow any practice, activity, decision, or organizational circumstance which is either illegal, imprudent or in violation of commonly accepted business and professional ethics or in violation of contractual obligations.

III. STANDARDS:

1. The EO is accountable to the Board acting as a body. The Board will instruct the EO through written policies or directives consistent with Board policies, delegating to the EO the interpretation and implementation of those policies and Ends.

Southwest Michigan

BEHAVIORAL HEALTH

The Policy as presented below in BEL-10 is an appointment, not a value-laden policy. What is highlighted gets closer to a value statement, in that the Board values cooperation beyond the system of SWMBH and its CMH members.

Section: Board Policy – Executive Limitations		Policy Number: BEL-010	Pages: 1
Subject: Regional Entity 501 (c)(3) Representation		Required By: Policy Governance	Accountability: SWMBH Board
Application: <input checked="" type="checkbox"/> SWMBH Governance Board		<input checked="" type="checkbox"/> SWMBH EO	Required Reviewer: SWMBH Board
Effective Date: 02.13.2015	Last Review Date: 10/11/24	Past Review Dates: 2.13.15, 3.11.16, 10.14.16, 10.13.17, 10.12.18, 11.8.19, 12.11.20, 11/12/21, 11/11/22, 11/10/23	

2.10 NEW POLICY TITLE: **COLLABORATION WITH OTHER ENTITIES**

In order to maximize achievement of Ends, the Executive Officer shall not fail to explore strategic partnerships and interagency cooperation, and to optimize collaboration with other entities where appropriate.

2.10.1 The Executive Officer shall represent SWMBH in the MCHE.

NOTE: The reporting requirements listed below are already included in 2.9.4 Communication and Support to the Board in the uninterrupted version of the policy manual.

I. PURPOSE:

To define the SWMBH Executive Officer role and responsibilities in conjunction with SWMBH MCHE membership.

II. POLICY:

1. The SWMBH Board has approved SWMBH becoming a member of MCHE; and
2. the EO of SWMBH is hereby authorized to serve as SWMBH's representative and a Director of the MCHE Board, the latter being subject to the approval of the Board Members of MCHE in accordance with its Bylaws; and
3. the EO is hereby authorized and directed to execute and deliver any and all instruments, certificates, agreements, and other documents necessary for SWMBH to hold a membership interest in MCHE; and
4. the SWMBH Board will evaluate on at least an annual basis in October of each year whether SWMBH will continue to hold a membership interest in MCHE or withdraw from such membership.

III. STANDARDS:

Accordingly, the Executive Officer as SWMBH representative to MCHE shall:

1. Provide semi-annual written MCHE status reports to the SWMBH Board in April and October; and
2. Provide verbal reports to the SWMBH Board if there are MCHE related items of importance which in the Executive Officer's judgment materially affect favorably or unfavorably SWMBH's core roles, strategy, or finances; and

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3. Present MCHE Articles of Incorporation revisions to the Board prior to voting on them; and
4. Present MCHE Bylaws revisions to the Board prior to voting on them and also after the adoption of them by MCHE Board; and
5. Assure that total direct fiscal year annual costs payable to MCHE shall not exceed \$5,000, absent prior official approval of the Board except for group purchases which in the EO's judgement are required and have more favorable terms through MCHE than an independent purchase by SWMBH. In the event of an urgent payment required, EO shall contact SWMBH Board Chair for guidance.

December 19, 2024

Keith White
Actuarial Division Director
Michigan Department of Health & Human Services
400 S Pine St.
Lansing, MI 48933

RE: MIDYEAR SFY 2025 CAPITATION RATE CONCERNS

Dear Keith:

Wakely was retained by the Michigan Consortium for Healthcare Excellence (MCHE) to provide actuarial support to MCHE and the ten prepaid inpatient health plan (PIHP) contracts related to the behavioral health managed care program, which is administered by the Michigan Department of Health and Human Services (MDHHS). MDHHS has contracted with Milliman to develop and certify the capitation rates for its behavioral health managed care program.

This letter documents the PIHPs' outstanding rate concerns related to the State Fiscal Year (SFY) 2025 behavioral health capitation rates. This letter is not intended to be an exhaustive list of concerns but is intended to inform Milliman and MDHHS of the primary PIHP concerns to ensure that they are considered as Milliman evaluates midyear rate amendments.

Wakely does not intend to create a reliance to third parties, and these materials may not be released to third parties without Wakely's prior written consent. When consent is granted, the materials should be provided in their entirety. Wakely hereby grants permission for MCHE to distribute this letter to MDHHS and Milliman. We relied on information provided by MCHE and Milliman to develop this letter.

SFY 2025 Behavioral Health Rate Concerns

Inaccurate PIHP Area Factors

Milliman's SFY 2025 behavioral health rate certification report summarizes SFY 2023 Medical Loss Ratios (MLRs) as reported in Figure 12. This summary indicates a wide variance of loss ratios across the ten PIHPs.

Table 1: SFY 2023 FSR Reported Adjusted Loss Ratios

PIHP	HMP		Non-HMP		All Populations	
	MLR	Difference from 'All Regions'	MLR	Difference from 'All Regions'	MLR	Difference from 'All Regions'
Northcare	71.8%	3.7%	96.3%	-3.8%	92.8%	-3.5%
Northern MI	90.5%	15.0%	98.4%	-1.7%	97.3%	1.0%
Lakeshore	79.4%	3.9%	93.2%	-6.9%	91.2%	-5.1%
Southwest	82.8%	7.3%	112.3%	12.2%	107.4%	11.1%
Midstate	78.0%	2.5%	105.6%	5.5%	101.1%	4.8%
Southeast	82.3%	6.8%	99.6%	-0.5%	97.3%	1.0%
Detroit-Wayne	72.3%	-3.2%	99.7%	-0.4%	95.4%	-0.9%
Oakland	68.7%	-6.8%	103.2%	3.1%	98.4%	2.1%
Macomb	64.9%	-10.6%	90.4%	-9.7%	87.0%	-9.3%
Region 10	67.7%	-7.8%	93.3%	-6.8%	89.3%	-7.0%
All Regions	75.5%		100.1%		96.3%	

The table above indicates an MLR range of 25.6% for HMP (from 64.9% to 90.5%), 21.9% for non-HMP (from 90.4% to 112.3%), and 20.4% on all populations (from 87.0% to 107.4%). The regional adjustment factors, otherwise known as area factors, are intended to adequately account for differences in regional populations and benefits. The large variance in regional MLRs above indicates that these area factors did not sufficiently account for regional differences in SFY 2023.

PIHPs have compiled the interim SFY 2024 FSRs and initial findings indicate that MLRs continue to vary widely across the PIHPs, further highlighting the need for updates to Milliman’s area factor methodology.

Actuarial standard of practice (ASOP) 49, Section 3.2.2 states:

“Capitation rates are usually separately developed and paid in individual capitation rate cells based on characteristics that cause costs to differ materially. Examples of these characteristics include age, gender, qualifying event (for example, maternity delivery), geographic region, Medicaid eligibility group, eligibility for Medicare benefits, diagnosis or risk adjustment factors, and MCO differences.”

While the capitation rates are not certified individually for each PIHP, the area factors are intended to adjust for geographic region differences. The results in Table 1 above clearly indicate that the area factors are not accurately accounting for cost differences in each region.

Insufficient Risk Margin

The SFY 2025 behavioral health rates include a composite risk margin component of 0.75%. Table 1 above indicates the SFY 2023 adjusted composite loss ratio was 96.3%, well above the target loss ratio of 93%. In addition, several PIHPs experienced a loss ratio well above 100%. At these rates, savings and surplus were significantly depleted in SFY 2023. Initial SFY 2024 results indicate similarly high loss ratios, further depleting surplus for many of the PIHPs.

ASOP 49, Section 3.2.12(b) states:

“The actuary should include a provision for underwriting gain, which is typically expressed as a percentage of the premium rate, to provide for the cost of capital and a margin for risk or contingency. The underwriting gain provision provides compensation for the risks assumed by the [PIHP]. These risks may include insurance, investment, inflation, and regulatory risks, as well as risks associated with social, economic, and legal environments. The actuary should consider the effect of any risk sharing arrangements discussed in section 3.2.14, and performance withholds and incentives discussed in section 3.2.15.

The methods used to develop the underwriting gain provision of the capitation rate should be appropriate to the level of capital required and the type and level of risk borne by the [PIHP].”

MDHHS’s contract with the PIHPs establishes a minimum MLR of 85.0% and maintains a risk sharing mechanism for the behavioral health managed care program, which limits the surplus that each PIHP can build in any given year. However, losses are not similarly limited. As Table 1 indicates, recent losses have been significant for several of the PIHPs. The asymmetrical nature of the MLR risk mechanism, combined with the extreme variation in MLRs reported above, elucidates the concern that current risk margin rates are not sufficient.

We request that Milliman provide sufficient documentation supporting the development of the 0.75% risk margin. We suggest the Society of Actuaries (SOA) Medicaid risk margin underwriting model¹ as a helpful starting point for further discussion in determining the appropriate level as well as generating sufficient documentation for the risk margin. We also request that Milliman please confirm recent experience (post-PHE unwinding) has been considered in the determination of the risk margin.

Insufficient SFY 2025 Capitation Rates

Table 1 above indicates an overall adjusted MLR of 96.3%, well above the target of 85%. In their December 13 response to MCHE questions, Milliman states:

“The capitation rates have been developed such that the PIHP would reasonably achieve a MLR of at least 85% by using actual managed care program data as the basis for developing the benefit expense component of the rates and by including non-benefit

¹ <https://www.soa.org/49d28d/globalassets/assets/files/resources/research-report/2022/medicaid-underwriting-margin-model.pdf>

expense costs of less than 15%, which are assumed to be reasonable, appropriate, and attainable. We reviewed the medical loss ratio reports submitted to CMS and considered these past medical loss ratios when setting the actuarially sound capitation rates. We considered the historical medical loss ratios, capitation rate changes, and emerging benefit expense trends when developing the SFY 2025 capitation rates as required by 42 CFR §438.5(b)(5).”

Due to the historically high medical loss ratio (MLR) of 96.3%, we request that Milliman provide detailed explanations regarding how this historical MLR was incorporated into the development of SFY 2025 rates. Both the SFY 2024 and early SFY 2025 data suggest that MLRs will remain elevated, indicating that the target 85% MLR ratio is unlikely to be met for the third consecutive year. We urge Milliman to revisit the emerging MLRs for SFY 2023 and SFY 2024, as a further review may justify a substantial increase in SFY 2025 capitation rates.

Conclusion

This letter was developed on the behalf of the PIHPs to present the concerns related to the SFY 2025 behavioral health capitation rates. We relied on the SFY 2025 rate certification provided by Milliman and on discussions with MCHE and the PIHPs to develop this letter. Suzanna-Grace Tritt is responsible for this communication. I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to issue this letter. I analyzed the SFY 2022 and SFY 2023 summary experience using sound actuarial practice. To the best of my knowledge, the letter and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice with no known deviations.

Outside parties receiving this work should retain their own experts and form their own opinions. Wakely does not intend to create a reliance to these outside parties, and these materials may not be released to third parties without Wakely’s prior written consent, and when consent is granted, the materials should be provided in their entirety.

Users of the results should be qualified to use them and understand the results and the inherent uncertainty. There are no known relevant events subsequent to the date of information received that would impact the results of this letter. Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health plans, the federal and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent from MCHE.

Please do not hesitate to call if you have any questions or if we may be of additional assistance. Thank you for the opportunity to work on this important project.

Sincerely,

A handwritten signature in black ink, appearing to read "Suzanna-Grace Tritt". The signature is cursive and somewhat stylized, with the first name being more prominent.

Suzanna-Grace Tritt, FSA, MAAA
Senior Consulting Actuary
Wakely Consulting Group, LLC, an HMA
Company
(720) 627-8671
suzannagrace.tritt@Wakely.com



PBIP-CMHSP/SWMBH Agreement - FY24

Total FY24 PBIP earnings, less SWMBH SUD Provider allocation, remainder allocated 90% to Participant CMHSPs by Medicaid eligibles, 10% to SWMBH.

Total PBIP	\$ 2,134,267.27
Less: SWMBH SUD Providers	\$ <u>152,039.86</u>
PBIP Available for Allocation	\$ 1,982,227.41

	CMHSP	SWMBH
PBIP %	90%	10%
	\$ 1,784,004.67	\$ 198,222.74

Total CMHSP PBIP	\$ 1,784,004.67
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	Total PBIP	Elig. %
Barry	\$ 95,951.95	5.38%
Berrien	\$ 336,390.47	18.86%
Branch	\$ 105,203.03	5.90%
Calhoun	\$ 348,390.05	19.53%
Cass	\$ 103,582.97	5.81%
Kalamazoo	\$ 472,374.55	26.48%
St. Joseph	\$ 143,894.41	8.07%
Van Buren	\$ 178,217.23	9.99%
Total	<u>\$ 1,784,004.67</u>	<u>100.00%</u>

Version Date: 4/1/2025

Southwest Michigan Behavioral Health – Region 4
FINAL
FY24 Performance Bonus Incentive Pool (PBIP)
Contractor-only and MHP/Contractor Joint Metrics
Deliverables/Narratives Scoring

This communication serves as the response to your PIHP regarding the FY2024 performance bonus, contract section 8.4.2.

Scoring is based on Contractor-only and MHP/Contractor Joint Metrics deliverables.

TOTAL WITHHOLD	TOTAL WITHHOLD UNEARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
\$2,336,788.98	\$202,521.71	\$0	\$2,134,267.27

CONTRACTOR-only Pay for Performance Measures (45% of total Withhold)

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
P.1 Implement data driven outcomes measurement to address social determinants of health	\$420,622.02	\$0	40	40	\$0	\$420,622.02
NARRATIVE REVIEW:						
NA						

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
P.2 Adherence to antipsychotic medications for individuals with schizophrenia (SAA-AD)	\$105,155.50	\$0	10	10	\$0	\$105,155.50
NARRATIVE REVIEW:						
NA						

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED	
P.3 Initiation and Engagement of Alcohol and Other Drug Abuse or Dependence Treatment (IET)-Initiation	\$262,888.76	\$58,419.72	25	19	\$0	\$204,469.04	
	CY2022		CY2023		Disparity year 1	Disparity year 2	Disparity change
RACE	M rate	W rate	M rate	W rate	Test 1	Test 2	Test 3.3
African American/ Black	30%	33%	27%	32%	No disparity in year 1	Minority rate was significantly lower in year 2	No change in disparity from year 1 to year 2
American Indian/ Alaska Native	24%	33%	27%	32%	Minority rate was significantly lower in year 1	No disparity in year 2	No change in disparity from year 1 to year 2
Hispanic	26%	33%	28%	32%	No disparity in year 1	No disparity in year 2	No change in disparity from year 1 to year 2

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED	
P.3 Initiation and Engagement of Alcohol and Other Drug Abuse or Dependence Treatment (IET)-Engagement	\$262,888.76	\$58,419.72	25	19	\$0	\$204,469.04	
	CY2022		CY2023		Disparity year 1	Disparity year 2	Disparity change
RACE	M rate	W rate	M rate	W rate	Test 1	Test 2	Test 3.3
African American/ Black	6%	11%	6%	11%	Minority rate was significantly lower in year 1	Minority rate was significantly lower in year 2	No change in disparity from year 1 to year 2
American Indian/ Alaska Native	10%	11%	10%	11%	No disparity in year 1	No disparity in year 2	No change in disparity from year 1 to year 2

Hispanic	8%	11%	13%	11%	No disparity in year 1	No disparity in year 2	No change in disparity from year 1 to year 2
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CONTRACTOR-only Pay for Performance Measures (25% of total Withhold)

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
P.4 PA 107 of 2013 Sec. 105d (18): Increased participation in patient-centered medical homes	\$584,197.25	\$0	100	100	\$0	\$584,197.25
NARRATIVE REVIEW:						
NA						

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
CONTRACTOR -only TOTAL	\$1,635,752.29	\$116,839.45	200	188	\$0	\$1,518,912.84

MHP/Contractor Joint Metrics (30% of total withhold)

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
J.1 Implementation of Joint Care Management Processes.	\$245,362.84	\$0	35	35	\$0	\$245,362.84

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED					
J.2.1 Follow-up after Hospitalization (FUH) within 30 days.	\$140,207.34	\$15,578.59	20	17.78	\$0	\$124,628.75					
AGES	STANDARD	AET	BCC	HAP	MCL	MER	MOL	PRI	UNI	UPP	HCS

6-20	70%	N/S	N/S	N/S	N/S	89	N/S	87	88	N/S	N/S
21-64	58%	57	N/S	N/S	64	70	60	73	79	N/S	N/S

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
J.2.2 Follow-up after Hospitalization (FUH) within 30 days stratified by race/ethnicity.	\$140,207.34	\$20,029.62	20	17	\$0	\$120,177.72

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
J.3 Follow-up after (FUA) Emergency Department visit for Alcohol and Other Drug Dependency within 30 days stratified by race/ethnicity.	\$175,259.17	\$50,074.05	25	17.86	\$0	\$125,185.12

	CY2022		CY2023		Disparity year 1	Disparity year 2	Disparity change
RACE	M rate	W rate	M rate	W rate	Test 1	Test 2	Test 3.3
African American/ Black	27%	43%	25%	42%	Minority rate was significantly lower in year 1	Minority rate was significantly lower in year 2	No change in disparity from year 1 to year 2
American Indian/ Alaska Native	28%	43%		42%	No disparity in year 1	Insufficient data	Insufficient data
Hispanic	44%	43%	40%	42%	No disparity in year 1	No disparity in year 2	No change in disparity from year 1 to year 2

Please note: confidence intervals are used to score year to year comparisons to address disparities.

	TOTAL WITHHOLD AMOUNT	TOTAL WITHHOLD UNEARNED AMOUNT	AVAILABLE POINTS	POINTS EARNED	TOTAL DISTRIBUTION OF UNEARNED	TOTAL EARNED
MHP/CONTRACTOR JOINT METRICS TOTAL	\$701,036.69	\$85,682.26	100	87.61	\$0	\$615,354.43

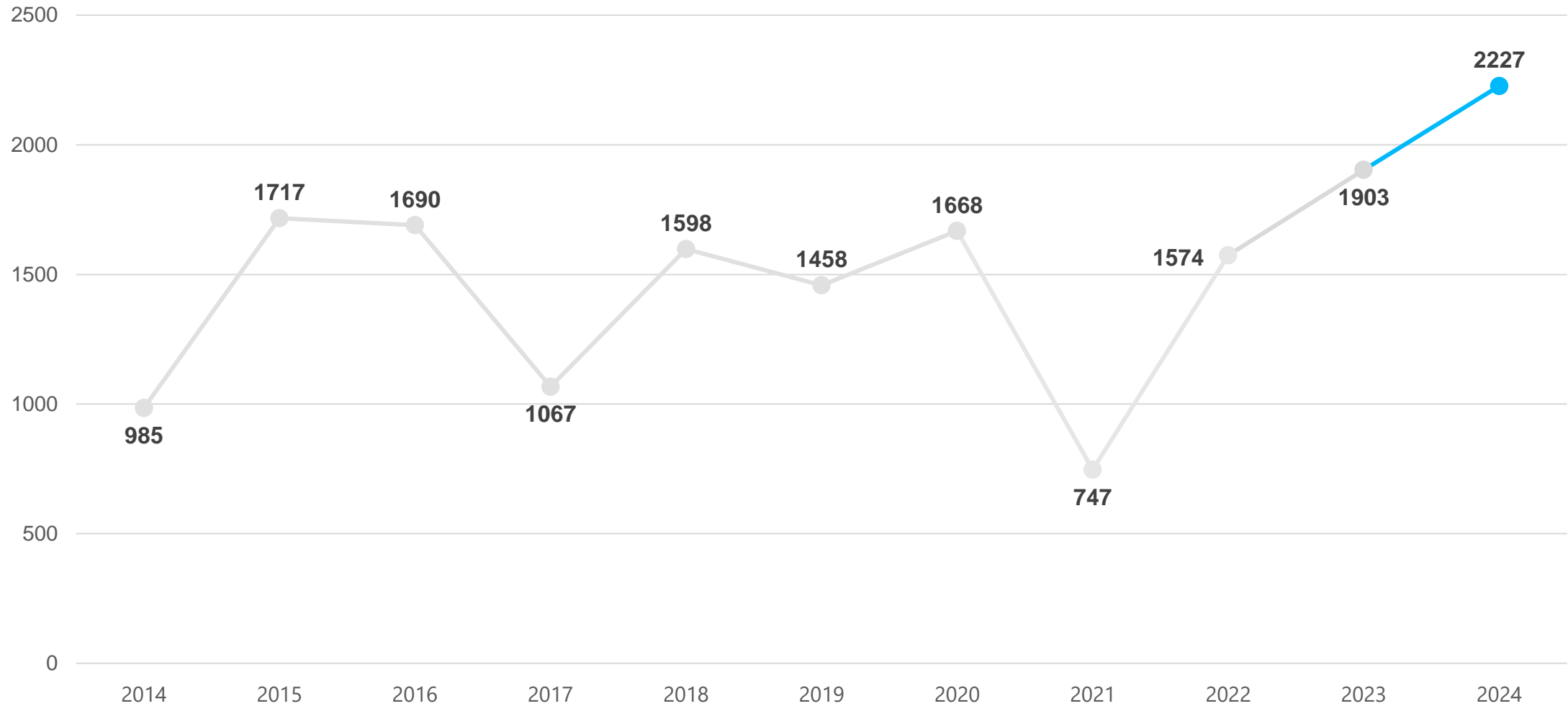


2024 Consumer Satisfaction Survey Summary

Prepared by: Kiaer Research
Prepared for: Southwest Michigan Behavioral Health

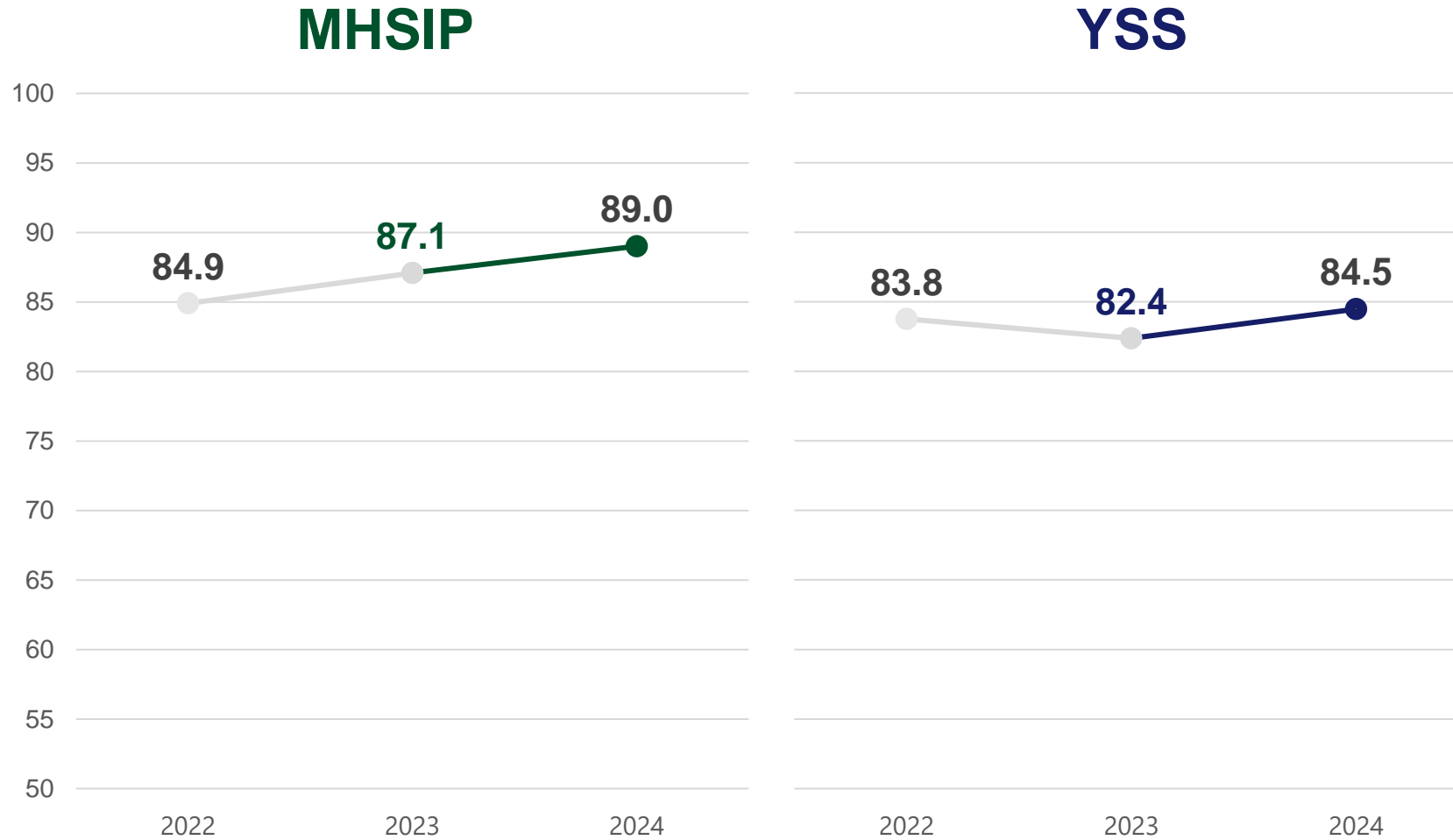
Total cumulative completions reached highest point again in 2024

This year, both YSS and MHSIP responses were at all-time highs.



Total aggregate average scores ticked up for both YSS and MHSIP in 2024

Still almost a 5-pt difference between adult and youth scores in the aggregate.





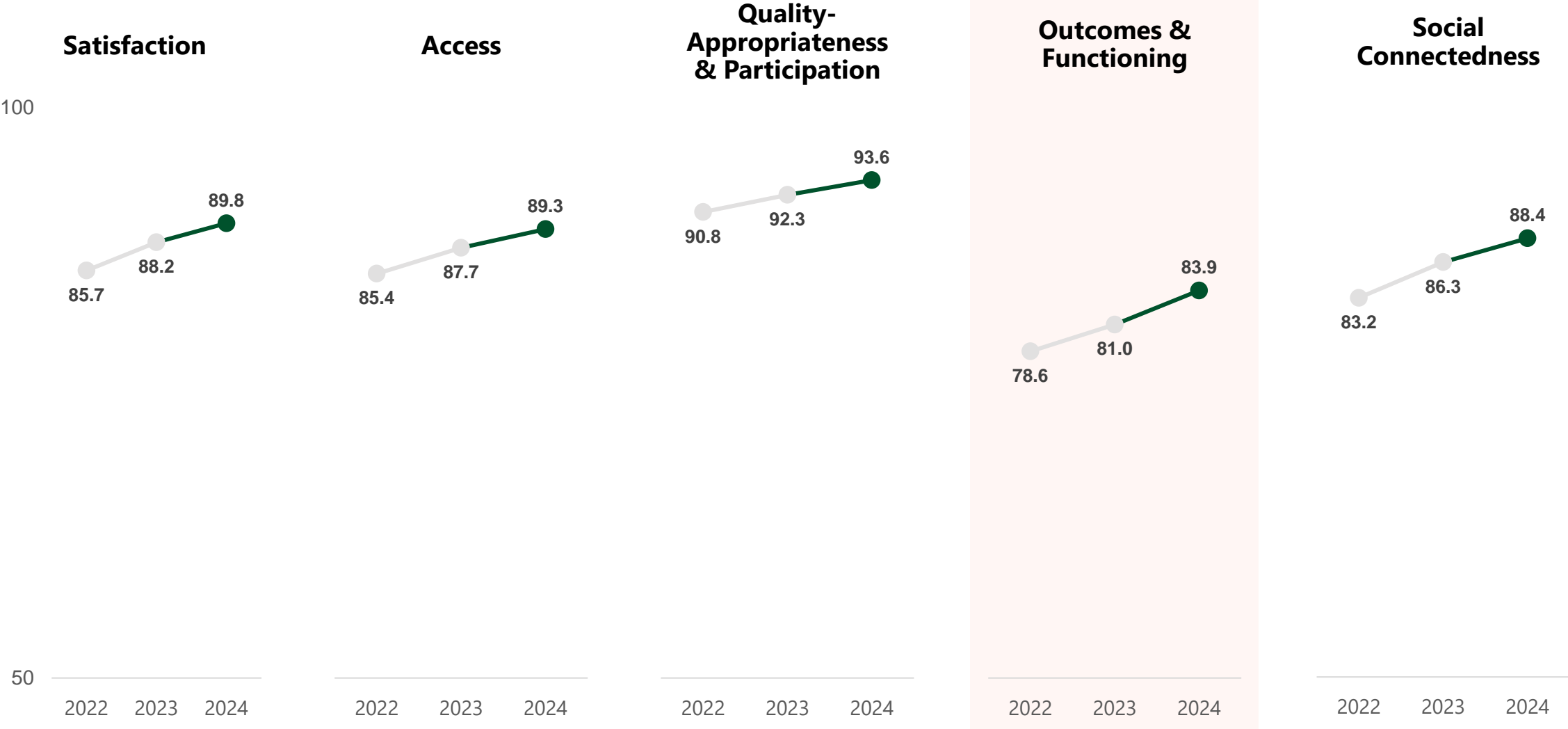
Mental Health Statistics Improvement Plan (MHSIP) Revised Tool: 2024 Results

Sample size: 1583



Adults' outcomes & functioning improved from 2023 to 2024

Difference in constructs other than Outcomes & Functioning not statistically significant at 95% confidence.



Statistically significant difference ($p < .05$) between this year and previous year



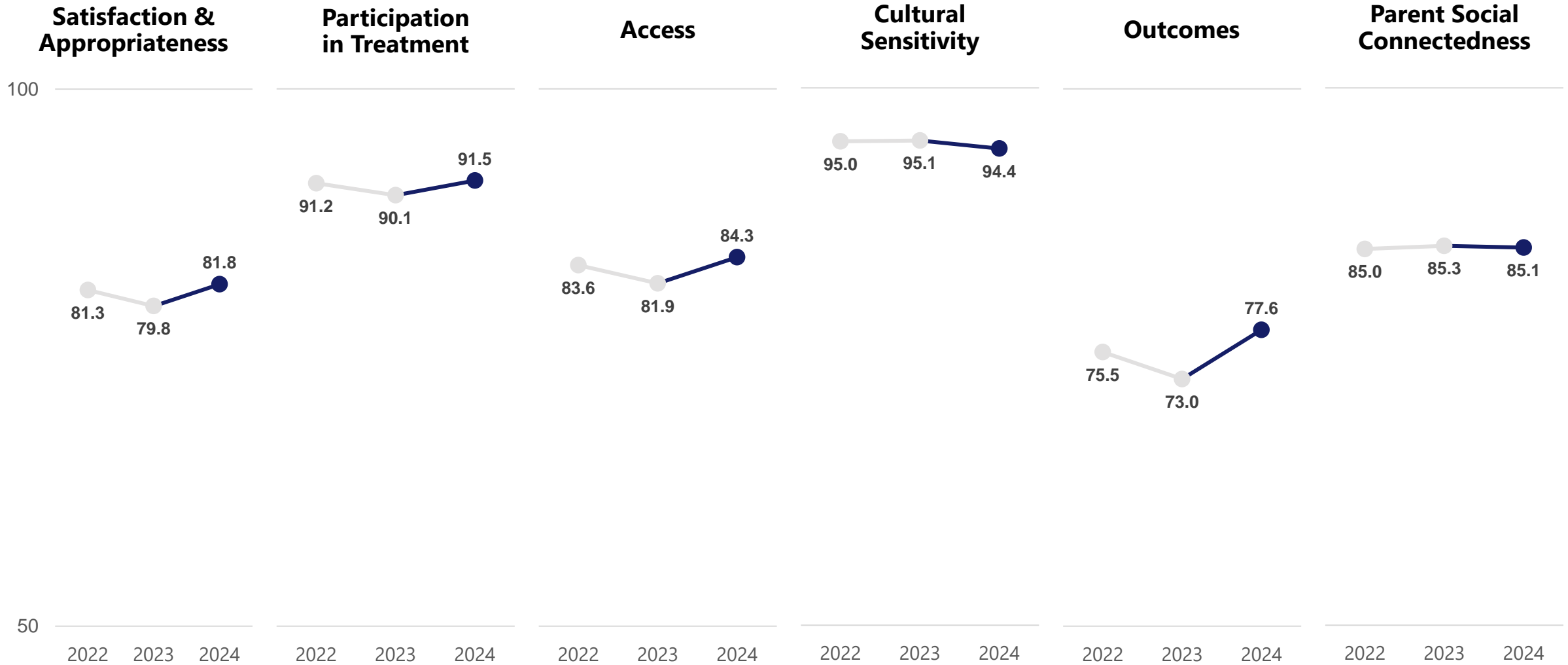
Youth Services Survey for Families (YSS) Revised Tool: 2024 Results

Sample size: 644



Overall, YSS saw similar ratings from 2022-2024 (no statistical difference)

YSS scores by construct for previous 3 years. Differences in constructs between years are not statistically significant.





Michigan Consortium for Healthcare Excellence

**Board Report
May 11, 2025**

Ongoing Efforts

- Joint contracting with TBD Solutions for a catalogue of known national, statewide and regional public behavioral health system performance measures and sources for purposes of enhancing PIHP collection and reporting of credible system performance reports. (suspended winter 2024)
- Joint contracting with Wakely a Health Management Associates Actuarial firm for purposes of performing an objective review of MDHHS and Milliman Medicaid rate setting practices, remediation and advocacy tactics.
- Joint contract renewal with MCG regarding Utilization Management Criteria
- Ongoing review of MCHE Bylaws for possible revisions.

Why Collaborate?

- **Enhance public policy influence via collective consensus views and advocacy with executive and legislative branches**
- **Enhance collective and individual relations with Advocacy groups and leaders**
- **Share scarce resources and technical assistance**
- **Share operational performance information for quality improvement**
- **Reduce CMH and provider burdens and administrative costs**
- **Reduce PIHP administrative costs**
- **Pursue joint purchasing opportunities**



Regional Public Policy Committee

Revised/Accepted 3-3-21

<p>Purpose and Principles:</p>	<p>To establish a regional shared structure and process to guide and improve SWMBH’s and CMHSPs’ interaction, relations with and value to state and federal elected and appointed officials and their senior staff.</p> <p>To develop and express shared views on federal and state health-related Policy for the purpose of educating federal and state elected and appointed officials and their staff on the importance, value, and views of SWMBH CMHSPs.</p> <p>The future will see continued movement in federal and state healthcare policy and funding affecting the public behavioral health system. While SWMBH and CMHSPs cannot lobby elected officials nor contribute funds or time to election campaigns, we are permitted to provide education and viewpoints to elected officials and candidates.</p> <p>This Committee will:</p> <ul style="list-style-type: none"> a. institute a structure and content development process for the collection, storage, circulation, analysis, deliberation, and position creation related to federal and state public policy; b. establish a liaison and leverage with like-minded agencies and associations; c. make assignments to varying SWMBH Regional Committees and willing individuals; and d. take lead in preparation and logistics for individual, small group, and large group Public Policy activities and events with and for federal, state, and local elected and appointed officials and their staff; and e. represent the region to federal, state, and local elected and appointed officials.
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	<p>Guiding Principles include but are not limited to diligence, rapid pace, thoroughness, inclusiveness, shared decision-making, and execution.</p> <p>It is expressly acknowledged that commitment to and participation in this regional effort does not diminish each CMH’s right to maintain public policy – legislative education efforts separate and distinct from this regional effort. No prior restraint of participants’ independent views and efforts is intended.</p>
<p>Participants & Structure:</p>	<ul style="list-style-type: none"> • Executive Sponsors and Steering Committee Co-Chairs: <ul style="list-style-type: none"> • Bradley Casemore, CEO SWMBH • Ric Compton, CEO Riverwood Center • Steering Committee Members: <ul style="list-style-type: none"> • SWMBH Board Member(s) • SUDOPB Board Member(s) • SWMBH Consumer Advisory Council Member(s) • CMH Representative(s) • Regional provider representative(s) • Consumer and/or Family Member Representatives from Population Served • Community Member(s) • Main support: SWMBH, Project Coordinator <p>The Steering Committee will oversee these efforts and periodically report status for review and input of the Operations Committee. Regular reports to the Board will occur.</p>

<p>Stakeholders</p>	<ul style="list-style-type: none"> • SWMBH Board • Operations Committee • SWMBH Senior Leaders • Substance Use Disorder Oversight Policy Board • SWMBH Consumer Advisory Council
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