



Southwest Michigan Behavioral Health Board Meeting

Four Points by Sheraton, 3600 E. Cork St. Kalamazoo, MI 49001

May 13, 2022

9:30 am to 10:30 am

(d) means document provided

Draft: 4/25/22

1. Welcome Guests/Public Comment
2. Agenda Review and Adoption (d) pg.1
3. Financial Interest Disclosure Handling (M. Todd)
 - None Scheduled
4. Consent Agenda
 - April 8, 2022 SWMBH Board Meeting Minutes (d) pg.3
5. 9:45am - Roslund Prestage Audit Report (D. Miller) (d) pg.9
6. Operations Committee
 - a. Operations Committee March 23, 2022 Meeting minutes (d) pg.53
 - b. Operations Committee Self Evaluation (D. Hess) (d) pg.55
7. Ends Metrics Updates (**Requires motion*)

Is the Data Relevant and Compelling? Is the Executive Officer in Compliance? Does the Ends need Revision?

 - None
8. Board Actions to be Considered
 - a. Retirement Plan Revisions (with J. Arendshorst, JD) (d) pg.59
 - b. Operating Agreement Review (D. Hess) (d) pg.63
9. Board Policy Review

Is the Board in Compliance? Does the Policy Need Revision?

 - BG-011 Governing Style (d) pg.77
10. Executive Limitations Review

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

 - None

11. Board Education

- a. Fiscal Year 2022 Year to Date Financial Statements (T. Dawson) (d) pg.79
- b. Fiscal Year 2022 Mid-Year Contract Vendor Summary Report (T. Dawson) (d) pg.87
- c. Fiscal Year 2021 Performance Bonus Incentive Program distribution to CMHSPs (T. Dawson) (d) pg.91

12. Communication and Counsel to the Board

- a. Substance Use Disorder Oversight Policy Board Update (R. Godfrey and J. Smith) (d) pg.93
- b. June 10, 2022 Board Agenda (d) pg.95
- c. Single Audit Engagement Letter (d) pg.97
- d. Board Member Attendance Roster (d) pg.103
- e. June Direct Inspection Reports - BEL-007 Compensation and Benefits (E. Krogh); BEL-002 Financial Conditions (M. Starkey); BEL-006 Investments (C. Naccarato)

13. Public Comment

14. 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.

Board Retreat 10:45am – 3:00pm following the Board meeting

Next Board Meeting

Four Points by Sheraton, 3600 E. Cork St. Kalamazoo, MI 49001

June 10, 2022

9:30 am - 11:00 am

Southwest Michigan

BEHAVIORAL HEALTH

Board Meeting Minutes

April 8, 2022

9:30 am-11:30 am

Draft: 4/8/22

Members Present: Tom Schmelzer, Susan Barnes, Erik Krogh, Ruth Perino, Carol Naccarato

Members Absent: Edward Meny, Marcia Starkey

Guests Present: Bradley Casemore, Executive Officer, SWMBH; Michelle Jacobs, Senior Operations Specialist & Rights Advisor, SWMBH; Tracy Dawson, Chief Financial Officer, SWMBH; Mila Todd, Chief Compliance & Privacy Officer, SWMBH; Jonathan Gardner, Director of Quality Assurance & Performance Improvement, SWMBH; Sarah Ameter, Customer Services Manager, SWMBH; Richard Thiemkey, Barry County CMH; Jeannie Goodrich, Summit Pointe; Tim Smith, Woodlands; Jon Houtz, Board Alternate for Pines Behavioral Health

Welcome Guests

Tom Schmelzer called the meeting to order at 9:35 am.

Public Comment

None

Agenda Review and Adoption

Motion Erik Krogh moved to accept the agenda with additions of July 8th SWMBH Board meeting and Opioid Settlement Update

Second Susan Barnes

Motion Carried

Financial Interest Disclosure (FID) Handling

Mila Todd notified the Board that the following individuals submitted financial interest disclosures with no new disclosures and therefore no formal action necessary from the Board.

- Ruth Perino
- Robert Becker
- Ed Meny
- Randy Hyrns
- Tom Schmelzer
- Jon Houtz
- Marcia Starkey
- Kathy-Sue Vette
- Terry Proctor
- Jeanne Jourdan
- Erik Krogh
- Carol Naccarato
- Cathi Abbas
- Susan Barnes
- Angela Dickerson

Consent Agenda

Motion Erik Krogh moved to approve the March 11, 2022, Board meeting minutes as presented.
Second Carol Naccarato
Motion Carried

Operations Committee

Operations Committee Meeting Minutes

Tom Schmelzer noted the February 23, 2022 Operations Committee meeting minutes in the packet. No questions from the Board.

Operations Committee Quarterly Report

Tom Schmelzer noted the report in the packet. There were no questions from the Board. Tom Schmelzer commented that he and the Board appreciated the work and recommendations from the Operations Committee.

Ends Metrics

Annual Customer Satisfaction Survey Results

Jonathan Gardner reported as documented, noting:

- A. The (MHSIP) Adult survey was achieved with a score of (86.87%), which was a (0.5%) improvement over the previous year's result (86.82%).
- B. The (YSS) Youth survey was not achieved with a score of (77.25%), which was a (5.79%) decrease in comparison to the previous years score (83.04%).
- C. Survey distribution processes improved during the 2021 process by the implementation of electronic/automated survey tools, such as 'Survey Monkey' and call to 'IVR phone system'. Additional means of collecting survey responses, such as focus groups were also introduced in 2021. A total of (6) focus groups consisting of 6-8 participants were completed.

Discussion followed.

Motion Ruth Perino moved that the data is relevant and compelling; the Executive Officer is in compliance with parts A and C of the Ends Metrics.
Second Susan Barnes
Motion Carried

Board Actions to be Considered

Election of Officers

Tom Schmelzer reviewed the current officers and shared that Ed Meny stated he volunteered to remain the Board Chair for 2022.

Motion Susan Barnes moved to nominate Edward Meny as Chair of the SWMBH Board.
Second Erik Krogh
Motion Carried

Motion Susan Barnes moved to nominate Tom Schmelzer as Vice-Chair of the SWMBH Board.
Second Erik Krogh
Motion Carried

Motion Erik Krogh moved to nominate Susan Barnes as Secretary of the SWMBH Board.
Second Carol Naccarato
Motion Carried

Agency Counsel

Brad Casemore reported as documented and reminded Board that Agency Counsel works for the Board and is retained by the Board.

Motion Erik Krogh moved that the SWMBH Board retain Varnum Law with the SWMBH CEO authorized to prepare with Varnum Law for his signature and/or the SWMBH Board Chair's signature any and all documents necessary and prudent to effectuate this engagement.

Second Susan Barnes

Roll Call Vote

Erik Krogh yes

Tom Schmelzer yes

Carol Naccarato yes

Ruth Perino yes

Susan Barnes yes

Motion Carried

Remove National Committee on Quality Assurance (NCQA) as an Ends Metric

Jonathan Gardner reported as documented. Discussion followed.

Motion Erik Krogh moved to remove NCQA as a Board Ends Metric.

Second Carol Naccarato

Motion Carried

July 8, 2022 SWMBH Board Meeting

Brad Casemore shared that the July 8th SWMBH Board meeting is the week of the 4th of July and asked the Board to consider attendance and options due to potential vacations and personal plans of the Board.

Motion Erik Krogh moved to cancel the July 8, 2022 SWMBH Board meeting.

Second Ruth Perino

Motion Carried

Board Policy Review

BG-006 Annual Board Planning

Motion Susan Barnes moved that the Board is in compliance with BG-006 Annual Board Planning and the policy does not need revision.

Second Carol Naccarato

Motion Carried

BG-010 Board Committee Principles

Motion Ruth Perino moved that the Board is in compliance with BG-010 Board Committee Principles and the policy does not need revision.

Second Carol Naccarato

Motion Carried

Executive Limitations Review

None

Board Education

Fiscal Year 2022 Year to Date Financial Statements

Tracy Dawson reported as documented noting that revenue changes will occur when the Medicaid eligibility changes take effect. Discussion followed.

Fiscal Year 2021 Performance Bonus Incentive Program Results

Jonathan Gardner reported as documented. Discussion followed.

Biden 2022-2023 Mental Health Agenda

Brad Casemore reported as documented.

Communication and Counsel to the Board

System Transformation Legislation

Brad Casemore reported that the 597 & 598 Senate Bills have gone through a third reading in the Senate, but not yet gone to the floor for voting. House Bills 4925 and 4927 still remain in the House Health Policy Committee. Brad noted that he will keep the Board up to date.

Michigan Consortium for Healthcare Excellence (MCHE) Update

Brad Casemore reported as documented.

MI Health Link & National Committee on Quality Accreditation

Brad Casemore reviewed the history of the MI Health demonstration and many issues during the eight-year demonstration period. Overall, MI Health Link is costly, carries additional administrative burdens and audits, serves less than 1% of population served and accounts for less than 1% of SWMBH revenue. SWMBH will not continue in demonstration project after 12/31/22.

Building Better Lives Project Update

Sarah Ameter reported as documented. Discussion followed.

Opioid Settlement Update

Brad Casemore reviewed the history regarding the Opioid Settlement and the administration of the settlement funds. Brad Casemore noted four citations/statutes that state PIHPs/CMH Entities have duties related to these settlement activities. Discussion followed.

May 13, 2022 Draft Board Agenda

Brad Casemore noted the document in the packet for the Board's review.

May 13, 2022 Draft Board Retreat Agenda

Brad Casemore noted the document in the packet for the Board's review.

Board Member Attendance Roster

Brad Casemore noted the document in the packet for the Board's review.

Public Comment

None

Adjournment

Motion Erik Krogh moved to adjourn at 11:30 am

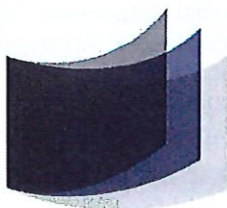
Second Susan Barnes

Motion Carried

DRAFT

Southwest Michigan Behavioral Health

Audit Presentation
May 13, 2022



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS



Independent Auditor's Report

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

Report on the Financial Statements

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 Entity), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Entity, as of September 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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

Southwest Michigan Behavioral Health
Statement of Net Position
September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Current assets			
Cash and cash equivalents - unrestricted	\$ 27,274,744	\$ -	\$ 27,274,744
Cash and cash equivalents - restricted	356,957	5,013,837	5,370,794
Accounts receivable	18,580	-	18,580
Due from other governmental units	37,179,531	-	37,179,531
Due from other funds	-	16,762,167	16,762,167
Prepaid expenses	62,019	-	62,019
Total current assets	64,891,831	21,776,004	86,667,835
Noncurrent assets			
Capital assets being depreciated, net	10,492	-	10,492
Total assets	64,902,323	21,776,004	86,678,327
	PY Total assets		40,441,961
Current liabilities			
Accounts payable	1,118,335	-	1,118,335
Accrued payroll and benefits	348,471	-	348,471
Due to other governmental units	19,744,628	-	19,744,628
Due to other funds	16,762,167	-	16,762,167
Incurred but not reported claims liability	643,690	-	643,690
Unearned revenue	5,076,863	-	5,076,863
Compensated absences, due within one year	53,544	-	53,544
Total current liabilities	43,747,698	-	43,747,698
Noncurrent liabilities			
Compensated absences, due beyond one year	303,413	-	303,413
Total liabilities	44,051,111	-	44,051,111
	PY Total liabilities		19,024,859
Net position			
Net investment in capital assets	10,492	-	10,492
Restricted for Medicaid risk management	-	18,450,573	18,450,573
Restricted for Healthy Michigan risk management	-	3,325,431	3,325,431
Restricted for Medicaid Savings	16,245,183	-	16,245,183
Restricted for Healthy Michigan Savings	81,617	-	81,617
Restricted for Performance Bonus Incentive Pool	3,872,143	-	3,872,143
Unrestricted	641,777	-	641,777
Total net position	\$ 20,851,212	\$ 21,776,004	\$ 42,627,216
PY Net position	16,400,189	5,016,913	21,417,102

The notes to the financial statements are an integral part of this statement.

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Operating revenues			
State and federal funding			
Medicaid	\$ 257,008,900	\$ -	\$ 257,008,900
Healthy Michigan	47,906,681	-	47,906,681
Incentive payments	2,847,339	-	2,847,339
Medicare-Medicaid capitated revenue	4,476,167	-	4,476,167
State and federal grant revenue	7,162,406	-	7,162,406
Total State and Federal funding	319,401,493	-	319,401,493
Local funding			
Public Act 2 funding	1,471,205	-	1,471,205
Local match drawdown	1,726,192	-	1,726,192
Total local funding	3,197,397	-	3,197,397
Total operating revenues	322,598,890	-	322,598,890
	PY Operating revenues		297,201,704
Operating expenses			
Funding for affiliate partners			
Barry County Community Mental Health	11,691,976	-	11,691,976
Kalamazoo Community Mental Health	74,495,396	-	74,495,396
Pines Behavioral Health	12,504,797	-	12,504,797
Riverwood Center	51,204,199	-	51,204,199
St. Joseph Community Mental Health	18,761,811	-	18,761,811
Summit Pointe	48,714,463	-	48,714,463
Van Buren Community Mental Health	25,319,054	-	25,319,054
Woodlands Behavioral Healthcare Network	13,622,855	-	13,622,855
PBIP funding for affiliate partners	1,841,326	-	1,841,326
Total funding for affiliate partners	258,155,877	-	258,155,877
	PY Funding for affiliate partners		241,059,487
Contract expenditures			
Contractual services	23,588,952	-	23,588,952
IPA and HRA taxes	8,669,970	-	8,669,970
Local match drawdown	1,726,192	-	1,726,192
Total contract expenditures	33,985,114	-	33,985,114
	PY Contract expenditures		34,082,214
Administrative expenses			
Salaries and contracted personnel	5,522,931	-	5,522,931
Fringe benefits	1,480,043	-	1,480,043
Board expenses	230	-	230
Community education	39,907	-	39,907
Depreciation expense	23,911	-	23,911
Furniture and small equipment	494,952	-	494,952
Insurance	25,787	-	25,787
IT and Consulting services	822,330	-	822,330
Lease expense	225,201	-	225,201
Legal and professional	161,827	-	161,827
Maintenance and custodial	35,658	-	35,658
Meeting and training expense	123,818	-	123,818
Membership and dues	89,037	-	89,037

The notes to the financial statements are an integral part of this statement.

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Other operating expenses	\$ 7,714	\$ -	\$ 7,714
Staff development and travel	45,451	-	45,451
Supplies	41,285	-	41,285
Utilities	72,020	-	72,020
Total administrative expenses	9,212,102	-	9,212,102
		PY Administrative expenses	8,219,598
Total operating expenses	301,353,093	-	301,353,093
Operating income (loss)	21,245,797	-	21,245,797
Non-operating revenues (expenses)			
Investment income	16,162	1,064	17,226
Non-operating local expense	(52,909)	-	(52,909)
Total non-operating revenues (expenses)	(36,747)	1,064	(35,683)
Transfers			
Transfer in (out)	(16,758,027)	16,758,027	-
Total transfer in (out)	(16,758,027)	16,758,027	-
Change in net position	4,451,023	16,759,091	21,210,114
	PY Change in net position	13,845,609	4,155
Net position, beginning of year	16,400,189	5,016,913	21,417,102
Net position, end of year	\$ 20,851,212	\$ 21,776,004	\$ 42,627,216

The notes to the financial statements are an integral part of this statement.

Deferred Compensation Retirement Plan – 457(b)

Plan Description

The Entity 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.

The assets may not be diverted to any other use. The Administrators 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 Entity'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 \$331,203. The outstanding liability to the plan at year-end was \$0.

NOTE 11 - OPERATING LEASES

The Entity has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately \$238,052.

The future minimum lease obligations as of September 30th, were as follows:

Year Ending September 30 th	Amount
2022	198,587
2023	191,042
2024	194,480
2025	178,853
2026	182,430

NOTE 12 - RISK MANAGEMENT

MMRMA

The Entity 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 Entity 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.

NOTE 16 – ECONOMIC DEPENDENCE

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

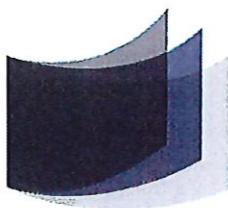
NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the PIHP's fiscal year September 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the PIHP's fiscal year ending September 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Southwest Michigan Behavioral Health

Financial Statements
September 30, 2021



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Southwest Michigan Behavioral Health
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September 30, 2021

Independent Auditor's Report

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Independent Auditor's Report

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

Report on the Financial Statements

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 Entity), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Entity, as of September 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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 on March 29, 2022, on our consideration of the Entity'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 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 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 the Entity's internal control over financial reporting and compliance.

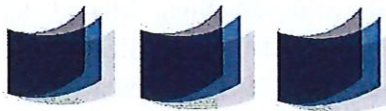
Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

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

March 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



SOUTHWEST MICHIGAN BEHAVIORAL HEALTH (SWMBH)
MANAGEMENT DISCUSSION & ANALYSIS FISCAL YEAR 2021
FOR THE PERIOD October 1, 2020 – SEPTEMBER 30, 2021

The following narrative offers readers of Southwest Michigan Behavioral Health's external audit a narrative overview and analysis of its operational and financial activities for the 12-month period ended September 30, 2021.

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 public body, 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 is a participating PIHP in the MI Health Link Demonstration for dual eligibles. This began March 1, 2015 and continues on-going through 12/31/24.

SWMBH has its own 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. Additionally, Per MCL 300.1100a (22), an Inter-governmental Agreement was executed on December 10, 2013 and a Substance Abuse Oversight Policy Board established on January 20, 2014. This agreement was renewed in 2020.

SWMBH is responsible for managing a range of 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 and Support Services, Medicaid and MiChild (state program name), Autism Benefits under an iSPA, Healthy Michigan Plan, Habitation Supports Waiver, Block Grant & and PA2 Substance Abuse Prevention and Treatment. SWMBH contracts with and funds each Participant CMH in a sub-capitation style, interim payment, cost-settlement model for most of these contracts, though not all. SWMBH is the risk-bearer for these contracts. SWMBH also maintains a provider network for selected services and supports with other providers on a per-diem or fee-for-service contracts.

SWMBH's duties include:

- Enter into contracts to provide services to plan members;
- Fulfillment of its benefits management PIHP role to MDHHS, including assuring delegated managed care functions are sound,
- Manage all mental health and substance abuse funds provided to the organization either directly or via sub-contract;
- Manage many of the primary and specialty medical care dollars;
- 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;
- Uniformity of benefit (access, severity of illness-intensity of service, etc.)
- 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, 2021. 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 as a result of its activities during the period of time 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 period being reported.

SWMBH uses the accrual method of accounting, meaning that all of the period's revenues and expenses are taken into account regardless of when cash is actually 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, 2021 were \$35,425,048 and total liabilities were \$19,024,859. The difference between total assets and liabilities reflects the net revenue from activities of \$16,400,189, interest income on ISF funds of \$4,155 and Medicaid savings income of \$0.

Total program revenue for the Regional Entity for the period October 1, 2020 through September 30, 2021 was as follows:

State Funding:	\$	312,239,087
Federal Grants:		7,162,406
Local Funding		3,197,397
Total Revenues:	\$	322,598,890

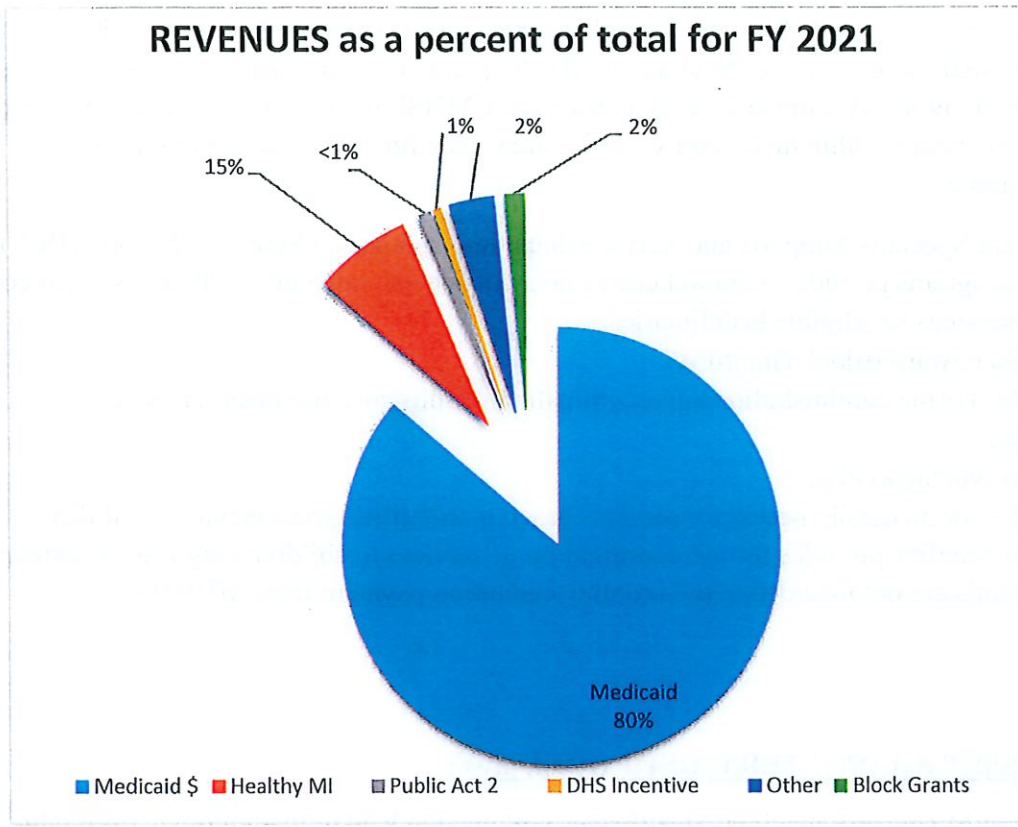
Specialty Managed Care Services Internal Service (Risk Reserve) Fund (ISF) is at 7.5%, as of 9/30/2021.

Medicaid Only:

Medical Loss Ratio (MLR):	Actual %	86.6
Admin Cost/Total Cost (ACR):	Actual %	9.6

These results are close or within normally occurring ranges. These ratios are monitored closely.

ANALYSIS OF FINANCIAL POSITION & OPERATING RESULTS:



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

State & Local Funding:

Medicaid	\$	257,008,900	80%
Healthy MI		47,906,681	15%
Public Act 2		1,471,205	0%
Incentive Payments		2,847,339	1%
Other		6,202,359	2% (MI Health Link, Local, Grants)

Federal Grants:

Block Grants	\$	7,162,406	2%
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Total Revenue: \$322,598,890

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, 2021, SWMBH has the following capitalized assets which consist of:

Vehicles:	\$ 28,613
Managed Care Software	796,755
Accumulated Depreciation	(814,876)
 Total (Net) Capital Assets	 <u>\$10,492</u>

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

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS:

Given the COVID-19 pandemic Michigan has experienced a difficult time economically. Due to the pandemic Medicaid eligible participants that might have lost eligibility did not and have remained covered during FY21. Thus revenues, especially for TANF persons in the Specialty Supports and Services program have remained steady. We expect this to change once the State reverses that policy and the revenue will trend downward quickly, the magnitude as yet is unknown.

As for Medicare, conversations with Integrated Care Organizations (ICOs) from whence that capitation revenue emerges will continue; there are contractual commitments to reviewing and performing actuarial analyses and capitation revisions. There will be cost settlements with the ICO's in FY22.

FORWARD OUTLOOK

Fiscal Year 2021 was exceedingly challenging largely due to the COVID-19 pandemic and related disruptions to service access due to staffing challenges for our CMHSP's. The PIHP business remained staffed and able to respond to all ask, while weathering the pandemic for a second year. 2021 was complicated by the plethora of federal and state statutory and policy changes impacting capitation revenue receipts, tracking and reconciliation. The numerous revisions MDHHS and Milliman made to rate-setting along with prior year adjustment issues have yet to be clarified as of this writing. Yet, our financial position is favorable fully restoring our risk corridor for the first time in a number of years.

For fiscal year 2022 we anticipate a stabilization in the pandemic resulting in increased demand for behavioral health services as well as greater willingness and ability of persons served to seek services, resulting in a rebound higher medical loss ratio.

Management and the Board have active and ongoing strategic planning activity, a mature environmental scan process, and a detailed list of new and emerging initiatives focused on population health, integrated care and healthcare data analytics.

As we look ahead

The depth, breadth, and rapid pace of positive changes underway to improve the public behavioral health system across the state and in our region will require concerted regional effort and additional resources.

These include but are not limited to Opioid Health Homes, Certified Community Behavioral Health Clinics, Healthcare Information Exchange, Healthcare Data Analytics, expanded MDHHS and Health Services Advisory Group Surveys, American Society of Addiction Medicine Continuum of Care Tool installation and analyses, electronic consent management development and installation, Provider Stability efforts, Conflict Free Access and Planning initiative, child and adolescent behavioral health services improvements, racial and ethnic health disparity and inequity improvements, the MICAL and national 988 crisis lines, inpatient psychiatric bed registry, financial reporting requirement changes, and others.

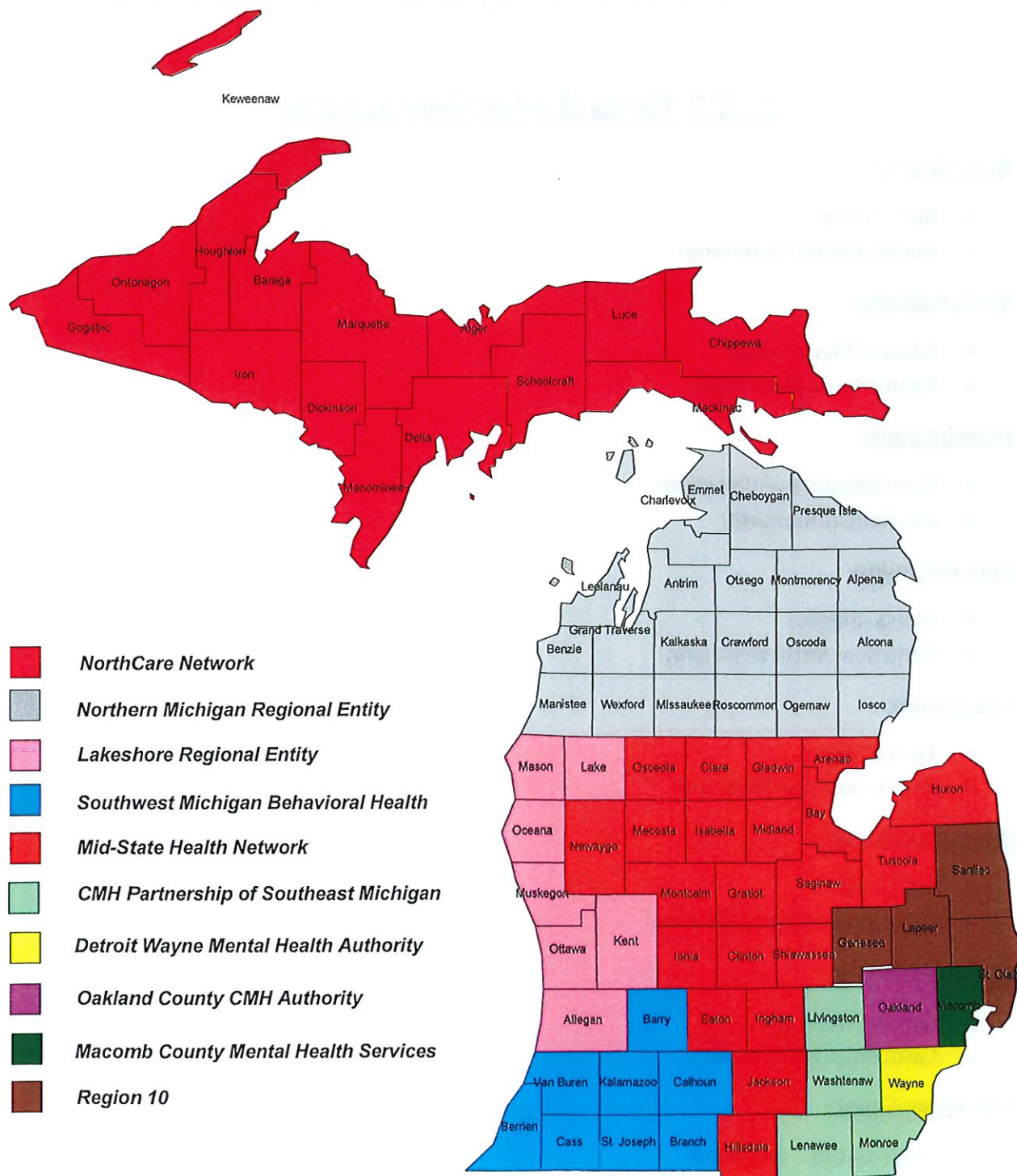
The continued concern of the “Gearing Up for Integrated Care” carve-in legislative plan continues to create tensions and anxieties throughout the system. SWMBH is well-situated to weather this repeated attack on the public behavioral health system with an assertive agency culture accelerator program, low staff turnover and a history of top tier performance.

Regardless of the environment our Board, management and CMHSPs maintain our focus on exemplary access, quality, effectiveness and cost considerations.

ⁱ Map of Michigan’s Regional Entities

ⁱⁱ 2021 SWMBH Board Member Roster

Michigan PIHP Map





2021 Board Member Roster

Barry County

- Ruth Perino
- Robert Becker (Alternate)

Berrien County

- Edward Meny - Chair
- Randy Hyrns (Alternate)

Branch County

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

Calhoun County

- Marcia Starkey
- Kathy-Sue Vette (Alternate)

Cass County

- Terry Proctor
- Jeanne Jourdan (Alternate)

Kalamazoo County

- Erik Krogh
- Patricia Guenther (Alternate)

St. Joseph County

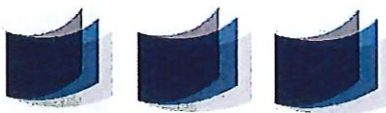
- Carole Naccarato
- Cathi Abbs (Alternate)

Van Buren County

- Susan Barnes - Secretary
- Angie Dickerson (Alternate)

Updated 9/10/21

BASIC FINANCIAL STATEMENTS



Southwest Michigan Behavioral Health
Statement of Net Position
September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Current assets			
Cash and cash equivalents - unrestricted	\$ 27,274,744	\$ -	\$ 27,274,744
Cash and cash equivalents - restricted	356,957	5,013,837	5,370,794
Accounts receivable	18,580	-	18,580
Due from other governmental units	37,179,531	-	37,179,531
Due from other funds	-	16,762,167	16,762,167
Prepaid expenses	62,019	-	62,019
Total current assets	<u>64,891,831</u>	<u>21,776,004</u>	<u>86,667,835</u>
Noncurrent assets			
Capital assets being depreciated, net	10,492	-	10,492
Total assets	<u>64,902,323</u>	<u>21,776,004</u>	<u>86,678,327</u>
Current liabilities			
Accounts payable	1,118,335	-	1,118,335
Accrued payroll and benefits	348,471	-	348,471
Due to other governmental units	19,744,628	-	19,744,628
Due to other funds	16,762,167	-	16,762,167
Incurred but not reported claims liability	643,690	-	643,690
Unearned revenue	5,076,863	-	5,076,863
Compensated absences, due within one year	53,544	-	53,544
Total current liabilities	<u>43,747,698</u>	<u>-</u>	<u>43,747,698</u>
Noncurrent liabilities			
Compensated absences, due beyond one year	303,413	-	303,413
Total liabilities	<u>44,051,111</u>	<u>-</u>	<u>44,051,111</u>
Net position			
Net investment in capital assets	10,492	-	10,492
Restricted for Medicaid risk management	-	18,450,573	18,450,573
Restricted for Healthy Michigan risk management	-	3,325,431	3,325,431
Restricted for Medicaid Savings	16,245,183	-	16,245,183
Restricted for Healthy Michigan Savings	81,617	-	81,617
Restricted for Performance Bonus Incentive Pool	3,872,143	-	3,872,143
Unrestricted	641,777	-	641,777
Total net position	<u>\$ 20,851,212</u>	<u>\$ 21,776,004</u>	<u>\$ 42,627,216</u>

The notes to the financial statements are an integral part of this statement.

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Operating revenues			
State and federal funding			
Medicaid	\$ 257,008,900	\$ -	\$ 257,008,900
Healthy Michigan	47,906,681	-	47,906,681
Incentive payments	2,847,339	-	2,847,339
Medicare-Medicaid capitated revenue	4,476,167	-	4,476,167
State and federal grant revenue	7,162,406	-	7,162,406
Total State and Federal funding	319,401,493	-	319,401,493
Local funding			
Public Act 2 funding	1,471,205	-	1,471,205
Local match drawdown	1,726,192	-	1,726,192
Total local funding	3,197,397	-	3,197,397
Total operating revenues	322,598,890	-	322,598,890
Operating expenses			
Funding for affiliate partners			
Barry County Community Mental Health	11,691,976	-	11,691,976
Kalamazoo Community Mental Health	74,495,396	-	74,495,396
Pines Behavioral Health	12,504,797	-	12,504,797
Riverwood Center	51,204,199	-	51,204,199
St. Joseph Community Mental Health	18,761,811	-	18,761,811
Summit Pointe	48,714,463	-	48,714,463
Van Buren Community Mental Health	25,319,054	-	25,319,054
Woodlands Behavioral Healthcare Network	13,622,855	-	13,622,855
PBIP funding for affiliate partners	1,841,326	-	1,841,326
Total funding for affiliate partners	258,155,877	-	258,155,877
Contract expenditures			
Contractual services	23,588,952	-	23,588,952
IPA and HRA taxes	8,669,970	-	8,669,970
Local match drawdown	1,726,192	-	1,726,192
Total contract expenditures	33,985,114	-	33,985,114
Administrative expenses			
Salaries and contracted personnel	5,522,931	-	5,522,931
Fringe benefits	1,480,043	-	1,480,043
Board expenses	230	-	230
Community education	39,907	-	39,907
Depreciation expense	23,911	-	23,911
Furniture and small equipment	494,952	-	494,952
Insurance	25,787	-	25,787
IT and Consulting services	822,330	-	822,330
Lease expense	225,201	-	225,201
Legal and professional	161,827	-	161,827
Maintenance and custodial	35,658	-	35,658
Meeting and training expense	123,818	-	123,818
Membership and dues	89,037	-	89,037

The notes to the financial statements are an integral part of this statement.

Southwest Michigan Behavioral Health
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Other operating expenses	\$ 7,714	\$ -	\$ 7,714
Staff development and travel	45,451	-	45,451
Supplies	41,285	-	41,285
Utilities	72,020	-	72,020
Total administrative expenses	9,212,102	-	9,212,102
Total operating expenses	301,353,093	-	301,353,093
Operating income (loss)	21,245,797	-	21,245,797
Non-operating revenues (expenses)			
Investment income	16,162	1,064	17,226
Non-operating local expense	(52,909)	-	(52,909)
Total non-operating revenues (expenses)	(36,747)	1,064	(35,683)
Transfers			
Transfer in (out)	(16,758,027)	16,758,027	-
Total transfer in (out)	(16,758,027)	16,758,027	-
Change in net position	4,451,023	16,759,091	21,210,114
Net position, beginning of year	16,400,189	5,016,913	21,417,102
Net position, end of year	\$ 20,851,212	\$ 21,776,004	\$ 42,627,216

The notes to the financial statements are an integral part of this statement.

Southwest Michigan Behavioral Health
Statement of Cash Flows
For the Year Ended September 30, 2021

	Enterprise Fund Mental Health Operating	Internal Service Medicaid Risk Reserve	Total Proprietary Funds
Cash flows from operating activities			
Receipts from the State and other governments	\$ 323,017,245	\$ -	\$ 323,017,245
Payments to employees	(6,868,799)	-	(6,868,799)
Payments to affiliates and other governments	(292,419,699)	-	(292,419,699)
Payments to suppliers and providers	(2,276,641)	-	(2,276,641)
Net cash provided by (used in) operating activities	21,452,106	-	21,452,106
Cash flows from noncapital financing activities			
Payments from/to other funds	(3,240,067)	3,240,067	-
Payments for non-operating local expense	(52,909)	-	(52,909)
Net cash provided by (used in) noncapital fin. activities	(3,292,976)	3,240,067	(52,909)
Cash flows from investment activities			
Investment income	16,162	1,064	17,226
Net cash provided by (used in) investment activities	16,162	1,064	17,226
Net increase in cash and cash equivalents	18,175,292	3,241,131	21,416,423
Cash and cash equivalents, beginning of year	9,456,409	1,772,706	11,229,115
Cash and cash equivalents, end of year	<u>\$ 27,631,701</u>	<u>\$ 5,013,837</u>	<u>\$ 32,645,538</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 21,245,797	\$ -	\$ 21,245,797
Depreciation expense	23,911	-	23,911
Changes in assets and liabilities:			
Accounts receivable	(18,580)	-	(18,580)
Due from other governmental units	(11,862,890)	-	(11,862,890)
Prepaid expenses	7,671	-	7,671
Accounts payable	(99,095)	-	(99,095)
Due to other governmental units	11,964,816	-	11,964,816
Accrued payroll and benefits	61,691	-	61,691
Incurred but not reported claims liability	(380,634)	-	(380,634)
Unearned revenue	436,935	-	436,935
Compensated absences	72,484	-	72,484
Net cash provided by (used in) operating activities	<u>\$ 21,452,106</u>	<u>\$ -</u>	<u>\$ 21,452,106</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Southwest Michigan Behavioral Health (the Entity) 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 Entity.

Reporting Entity

The Entity 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, 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 Entity 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 Entity are charges related to serving its customers (including primarily "per member per month" capitation and state and county appropriations). Operating expenses for the Entity 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 Entity 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 Entity reports the following major enterprise fund:

Mental Health Operating – 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 Entity accounts for its general operations.

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

Medicaid Risk Reserve – 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

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. 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. The

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2021

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Entity's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits, and certificates of deposit.

Investments

Investments for the Entity are reported at fair value (generally based on quoted market prices).

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 Entity 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 defined by the Entity 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. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Entity are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Computers and software	3
Vehicles	5

The Entity 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 Entity 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 Entity 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 Entity has legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Incurred But Not Reported (IBNR) Liability

The amounts recorded in liabilities include amounts for incurred inpatient, residential and community provider claims liability based on management's estimate. The Entity may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumer eligibility or cost recovery from other third-party payers.

The methodology used in estimating reserves considers factors such as historical data adjusted for payment patterns, cost trends, service and benefit mixes, seasonality, utilization of health care services, internal processing changes, the amount of time it took to pay claims from prior periods, changes in the past few months in the claims adjudication procedures, changes in benefits, events that would lead to excessive claims, large increases or decreases in membership, and other relevant factors.

Compensated Absences

The Entity's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from the Entity'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/Inflows 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) until then. The Entity has no items that qualify for reporting in this category.

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 Entity has no items that qualify for reporting in this category.

Net Position**Net investment in capital assets**

This category consists of capital asset balances, net of accumulated depreciation, less outstanding balances of debt related to those assets.

Restricted

Net position in this category is reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unrestricted

If net position does not meet the criteria for the above categories, it is reported as unrestricted.

In addition, the Entity will first use restricted resources when an expense is incurred for purposes for which either restricted or unrestricted net position is available.

MDHHS Revenue

The Entity 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 Entity contracts directly with the Michigan Department

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2021

of Health and Human Services (MDHHS) to administer mental health and substance abuse revenues for covered services provided to eligible residents of these counties.

Restrictions on Net Position

Mental Health Operating

A portion of the net position has been restricted to fund the net uninsured exposure of potential shortfalls of contract revenues. As of September 30th, this amount was \$16,245,183 for Medicaid Savings and \$81,617 for Healthy Michigan Savings.

Another portion of the net position has been restricted in the Mental Health Operating fund in accordance the requirements of the Performance Bonus Incentive Pool (PBIP). These PBIP funds must be used for the benefit of the public behavioral health system. As of September 30th, the amount of this restriction was \$3,872,143.

Internal Service Fund

A portion of the net position has been restricted in the internal service fund to cover the risk associated with Managed Care Specialty Services Program Contract. As of September 30th, this amount was \$18,450,573 for Medicaid risk management and \$3,325,431 for Healthy Michigan risk management.

Internal Service Fund

The Entity 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.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Michigan's statutory authority allows governmental entities to invest in the following investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investments Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

At September 30th the carrying amount of the Entity's cash and cash equivalents are as follows:

Description	Amount
Checking, savings and money market	32,645,538

A reconciliation of carrying amounts (shown above) to the basic financial statements follows:

Description	Amount
Cash and cash equivalents - unrestricted	27,274,744
Cash and cash equivalents - restricted	5,370,794
Total cash and cash equivalents	32,645,538

Cash and Cash Equivalents - Restricted

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

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2021

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	356,957
Restricted for Internal Service Fund	5,013,837
Total	5,370,794

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Entity's deposits may not be returned. State law does not require and the Entity does not have a policy for deposit custodial credit risk. As of year-end, \$2,593,284 of the Entity's bank balance \$33,738,166 was exposed to custodial credit risk. FDIC insured balances include funds held in bank, CDARS and Sweep accounts.

Due to the timing of when funds are received (from MDHHS) and when they are remitted (to the CMHSPs), it is not operationally feasible to have all deposits covered by FDIC insurance coverage. The Entity typically remits payments to the CMHSPs within 2 business days from when the payment details are received from MDHHS.

The Entity evaluated the remaining financial institutions where the remaining funds will be held and the risk of the institution has an acceptable estimated risk level and deemed appropriate. To help reduce custodial credit risk, management has chosen to invest in repurchase agreements, as seen below.

Description	Fair Value	Weighted average maturity (in years)	%
First National Bank - Insured Cash Sweep	\$30,884,882	.0027	100%
1 day maturity equals approximately .0027 years.			

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the summary of significant accounting policies. The Entity's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2021

NOTE 3 – ACCOUNTS RECEIVABLE

The Entity 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	4,499,236
Barry County CMH	1,330,668
Integrated Services of Kalamazoo	12,804,163
Pines Behavioral Health	3,251,740
Riverwood Center	4,853,270
St. Joseph County CMH	1,248,778
Summit Pointe	4,128,740
Van Buren County CMH	2,672,360
Woodlands Behavioral Healthcare Network	2,390,576
Total	37,179,531

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated					
Computers and software	796,755	-	-	-	796,755
Vehicles	28,613	-	-	-	28,613
Total capital assets being depreciated	825,368	-	-	-	825,368
Accumulated depreciation					
Computers and software	(778,566)	(18,189)	-	-	(796,755)
Vehicles	(12,399)	(5,722)	-	-	(18,121)
Total accumulated depreciation	(790,965)	(23,911)	-	-	(814,876)
Capital assets being depreciated, net	34,403	(23,911)	-	-	10,492

Southwest Michigan Behavioral Health
Notes to the Financial Statements
September 30, 2021

NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

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

Description	Amount
MDHHS	9,829,447
Local Match	12,411
IPA Assessment	768,657
Barry County CMH	354,864
Integrated Services of Kalamazoo	1,696,071
Pines Behavioral Health	310,066
Riverwood Center	1,012,477
St. Joseph County CMH	468,393
Summit Pointe	1,088,377
Van Buren County CMH	611,788
Woodlands Behavioral Healthcare Network	344,514
Other	3,247,563
Total	19,744,628

NOTE 7 - UNEARNED REVENUE

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

Description	Amount
PA2 revenues	4,835,567
Other unearned revenues	241,296
Total	5,076,863

NOTE 8 - LONG-TERM LIABILITIES

The changes in the long-term liabilities are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Compensated absences	284,473	115,155	(42,671)	356,957	53,544

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

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

Net investment in capital assets	Amount
Capital asset being depreciated, net	10,492
Net investment in capital assets	10,492

NOTE 10 – RETIREMENT AND OTHER POST EMPLOYMENT BENEFIT PLANS

Defined Contribution Retirement Plan – 401(a)

Plan Description

The Entity 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. The Administrators 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 Entity'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 Entity contributes a match of 50% of the employee deferral (into the 457 plan) up to the maximum of 5.0% of wages. The Entity 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 \$173,271. No discretionary contributions 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 (net of \$0 in forfeitures) amounted to \$205,380. Employee contributions amounted to \$205,380. The outstanding liability to the plan at year-end was \$0.

Deferred Compensation Retirement Plan – 457(b)

Plan Description

The Entity 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.

The assets may not be diverted to any other use. The Administrators 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 Entity'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 \$331,203. The outstanding liability to the plan at year-end was \$0.

NOTE 11 - OPERATING LEASES

The Entity has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. Lease expense for the fiscal year was approximately \$238,052.

The future minimum lease obligations as of September 30th, were as follows:

Year Ending September 30 th	Amount
2022	198,587
2023	191,042
2024	194,480
2025	178,853
2026	182,430

NOTE 12 - RISK MANAGEMENT

MMRMA

The Entity 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 Entity 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 Entity 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 Entity's limits, all further payments for such loss are the sole obligation of the Entity. If for any reason MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the Entity is the sole obligation of the Entity. Settled claims have not exceeded the amount of coverage in any of the past three years.

The Entity's coverage limits are \$10,000,000 for general and public officials' liability, \$1,500,000 vehicles, and \$1,550,543 for buildings and personal property.

Medicaid Risk Reserve

The Entity covers the costs up to 105% of the annual Medicaid and Healthy Michigan contract. The Entity 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 Entity 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 – INCURRED BUT NOT REPORTED (IBNR) LIABILITY

The CMHSP estimates certain provider related liabilities which include amounts for incurred inpatient, residential and community provider claims liability based on management's estimate. The CMHSP may not be billed for these until several months after the date of service. The actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumer eligibility or cost recovery from other third party payers.

The change in the claims liability is as follows:

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2019	1,024,324	20,911,668	(20,911,668)	1,024,324
2020	1,024,324	24,085,509	(24,085,509)	1,024,324
2021	1,024,324	23,208,318	(23,588,952)	643,690

NOTE 14 – TRANSFERS

The Mental Health Fund transferred \$16,758,027 to the Medicaid Risk Reserve Fund during the year for the purpose of covering the risk related to the Medicaid Managed Care Specialty Services Program Contract.

NOTE 15 – CONTINGENT LIABILITIES

Under the terms of various federal and state grants and regulatory requirements, the Entity is subject to periodic audits of its agreements, as well as a cost settlement process under the full management contract with the regional entity and the state. 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 Entity expects such amounts, if any, to be immaterial.

NOTE 16 – ECONOMIC DEPENDENCE

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

NOTE 17 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the PIHP's fiscal year September 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued by the GASB in May 2020 and will be effective for the PIHP's fiscal year ending September 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.



**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 Entity), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated March 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) to determine the 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 Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity'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 determination of financial statement amounts. 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 entity'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 entity'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.
March 29, 2022



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 Entity) for the year ended September 30, 2021. 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 previously issued letter (*Communication with Those Charged with Governance 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 Entity 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 Entity 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 financial statements were:

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

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.

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 governmental unit'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 Entity'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 the 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.

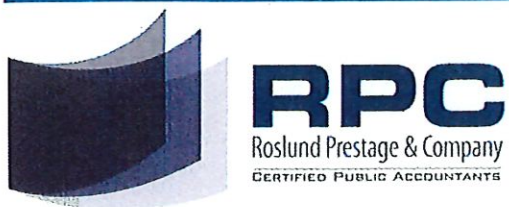
Restriction on Use

This information is intended solely for the information and use of the members of the board and management of the Entity 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, 2021

Southwest Michigan

BEHAVIORAL HEALTH

Operations Committee Meeting Minutes Meeting: March 23, 2022 10:00am-1:00pm

Members Present – Jeannie Goodrich, Jeff Patton, Richard Thiemkey, Sue Germann, Kris Kirsch, Tim Smith, Ric Compton, Debbie Hess

Guests present – Brad Casemore, CEO, SWMBH; Tracy Dawson, Chief Financial Officer, SWMBH; Mila Todd, Chief Compliance Officer, SWMBH; Natalie Spivak, Chief Information Officer, SWMBH; Anne Wickham, Chief Administrative Officer, SWMBH; Alena Lacy, Director of Clinical Quality, SWMBH; Joel Smith, Director of SUD Treatment and Prevention Services, SWMBH; Ella Philander, CCBHC Coordinator, SWMBH; Beth Guisinger, Manager of Access and Call Center, SWMBH and Michelle Jacobs, Senior Operations Specialist and Rights Advisor, SWMBH

Call to Order – Jeff Patton began the meeting at 10:15 am.

Review and approve agenda – Agenda approved as presented.

Review and approve minutes from 2/23/22 Operations Committee Meeting – Minutes were approved by the Committee.

CMH Updates – CMHSP CEOS's shared current updates and highlighted new staff positions filled, CCBHC implementation, grants, and facility renovations.

Fiscal Year 2022 Year to Date Financials – Tracy Dawson reported as documented noting that the Internal Savings Fund is currently fully funded.

Fiscal Year 2022 Revised Budget – Tracy Dawson stated that SWMBH is waiting on Milliman certification before a revised budget can be developed. Discussion followed.

Final Fiscal Year 2021 Financials – Tracy Dawson stated that the Regional Fiscal Year 2021 financials were submitted to the State on time and thanked the CMHSPs for their hard work.

Direct Care Wage Update – Tracy Dawson stated that there is nothing new to report.

Operating Agreement – Brad Casemore confirmed with group that the Operating Agreement was approved at last month's meeting and would be going to the Board for their approval in April.

Fiscal Year 2022 Performance Bonus Incentive Program – Brad Casemore reported as documented.

Fiscal Year 2021 Performance Bonus Incentive Program Results – Brad Casemore reported that the Region did well and results will be available soon to CMHSPs.

Relias Population Health – Natalie Spivak gave a summary of new updates in process and new metrics for prescribing on 231, 219, 285 and 271.

Health Services Advisory Group (HSAG) Regulatory Compliance Remediation – Brad Casemore noted that during the recent HSAG review they were aggressive and over interpreting their reach.

Autism Council Complaints – Brad Casemore reported as documented.

MDHHS Reorganization – Brad Casemore reported as documented.

Opioid Settlement Dollars and Plans – Brad Casemore and Joel Smith reported as documented. Discussion followed.

SWMBH Certified Community Behavioral Health Clinics (CCBHC) and Opioid Health Homes (OHH) expansion discussion – Ella Philander and Joel Smith reported as documented, gave a summary of a recent meeting with the State with OHH expansion scheduled for October of 2022.

May Board Retreat – Brad Casemore reported as documented.

Waiver Corrective Action Plan – Alena Lacey reported as documented.

Behavioral Health Treatment Episode Data Set (BH TEDS) – Natalie Spivak reported as documented and asked the CMHSP to review the mental health percentages that are currently not in the compliance area percentage.

Access Management – Anne Wickham and Beth Guisinger reported as documented. Discussion followed.

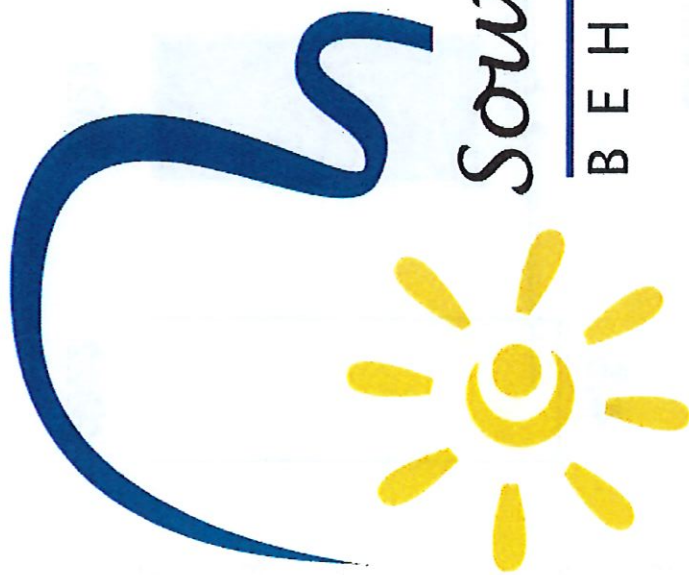
Conflict Free Access and Planning – Alena Lacey summarized the March 18th meeting and noted that this topic is in the beginning stages of development, gathering information and feedback from participants.

American Rescue Plan Act (ARPA) – Alena Lacey noted a new funding opportunity for ACT Teams and asked the CMHSPs to respond to Cathy Hart if interested.

April 8, 2022 SWMBH Board Agenda – Brad Casemore noted the agenda in the packet for the group's review.

April 27, 2022 Operations Committee Agenda – Brad Casemore noted the agenda in the packet for the group's review.

Adjourned – Meeting adjourned at 12:00pm



Southwest Michigan

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

2022 Operations Committee Self- Evaluation Summary Report

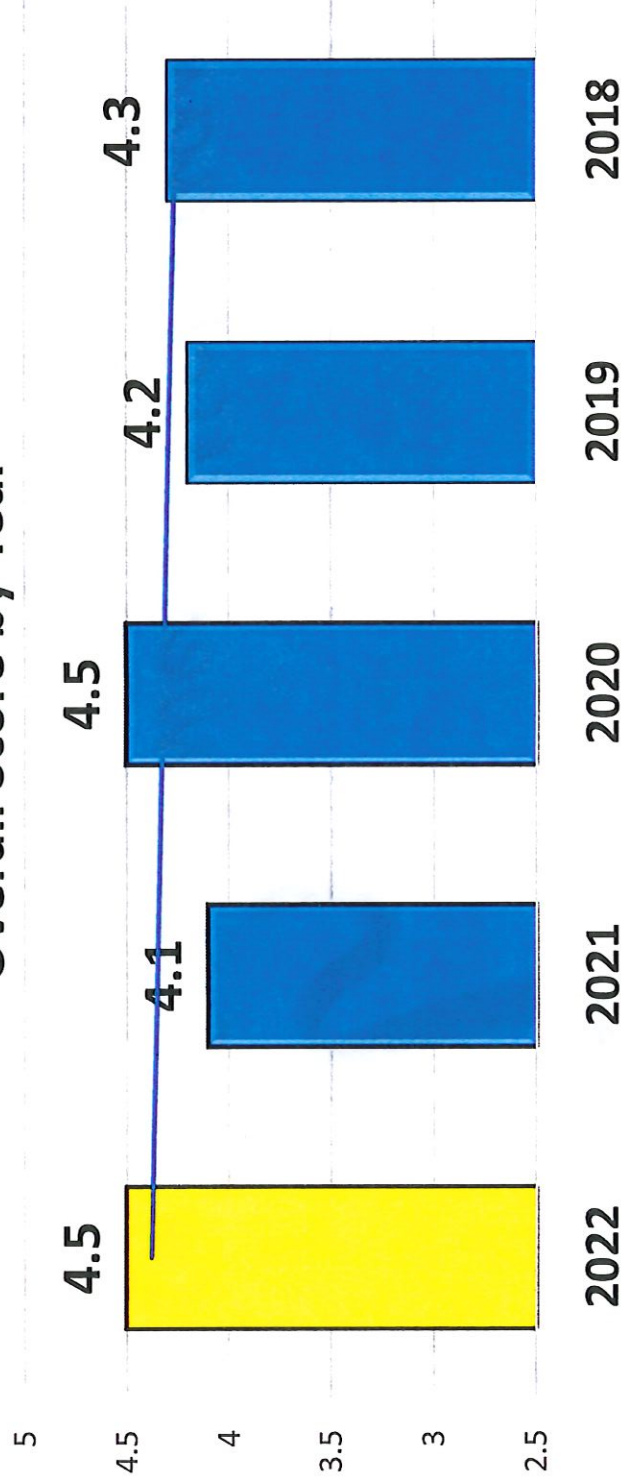
May 13, 2022

Operations Committee Self Evaluation Summary Report



The Operations Committee performed its annual self-evaluation on April 4, 2022 by confidential score submissions. The Scoring system was a 5 point scale, with 5 being “strongly agree” and 1 being “strongly disagree”. The overall average score for 17 questions is shown below, as well as a comparison of the previous years overall score. The 2022 survey observed an average score of (4.5), which is a (+.40) improvement in scores, across all questions in comparison to the 2021 survey results.

Overall Score by Year



The overall Average “In Agreement Percentage” was 83%

Operations Committee

Self Evaluation Summary Report



- ❖ 2022 Self Evaluation = 88.8% response rate (8/9)
- ❖ 2021 Self Evaluation = 100% response rate (9/9)
- ❖ 2020 Self Evaluation = 100% response rate (8/8)
- ❖ 2019 Self Evaluation = 77.7% response rate (7/9)
- ❖ 2018 Self Evaluation = 87.5% response rate (7/8)

Southwest Michigan Behavioral Health

Summary of May 2022 Plan Amendments

Retirement Savings Plan

1. Increases matching contribution to 100% (from 50%) of first 5% deferred
2. Allows participants to elect in-plan Roth rollovers
3. Waives 2020 required minimum distribution (RMDs) (required by law)
4. Changes RMD age to 72 effective 1/1/2021 (required by law)
5. Revises beneficiary distribution timing after death of participant (required by law)
6. Adds “facility of payment” language

Deferred Compensation Plan

1. Allows participants to designate all or part of their elective deferrals as Roth contributions
2. Allows participants to elect in-plan Roth rollovers
3. Waives 2020 required minimum distribution (RMDs) (required by law)
4. Changes RMD age to 72 effective 1/1/2021 (required by law)
5. Revises beneficiary distribution timing after death of participant (required by law)
6. Adds “facility of payment” language

SSA Pension Plan

1. Waives 2020 required minimum distribution (RMDs) (required by law)
2. Changes RMD age to 72 effective 1/1/2021 (required by law)
3. Revises beneficiary distribution timing after death of participant (required by law)
4. Adds “facility of payment” language

Southwest Michigan Behavioral Health

Resolutions of the Board of Directors

The board of directors (the “*Board*”) of Southwest Michigan Behavioral Health (“*SWMBH*”) hereby takes the following actions:

WHEREAS SWMBH maintains the Southwest Behavioral Health Retirement Savings Plan (the “*Retirement Savings Plan*”), the Southwest Michigan Behavioral Health Deferred Compensation Plan (the “*Deferred Compensation Plan*”), and the Southwest Michigan Behavioral Health SSA Pension Plan (the “*SSA Pension Plan*” and, collectively, the “*Plans*”), each as previously amended; and

WHEREAS the Board desires to increase matching contributions to the Retirement Savings Plan from 50% of the first 5% of compensation deferred to 100% of the first 5% of compensation deferred; and

WHEREAS the Board desires to allow participants to make Roth contributions to the Deferred Compensation Plan; and

WHEREAS the Board desires to allow participants to elect in-plan Roth conversions within the Retirement Savings Plan and the Deferred Compensation Plan; and

WHEREAS certain provisions of the Plans need to be revised in response to changes in applicable law; and

WHEREAS the Board wishes to appoint a committee to administer the plans, in accordance with the terms of the plans;

RESOLVED that Board hereby approves the Third Amendment to the Retirement Savings Plan, the Third Amendment to the Deferred Compensation Plan, and the Fourth Amendment to the SSA Pension Plan (collectively the “*Amendments*”), each in the form presented to the Board and attached hereto; and further

RESOLVED that the Board appoints a Retirement Plan Committee composed of the Chief Executive Officer, Chief Financial Officer, and Chief Administrative Officer of SWMBH from time to time, which collectively shall be the committee appointed by the board to serve as the plan administrator of each Plan, as set forth in the Plans; and further

RESOLVED that the Retirement Plan Committee is authorized and directed to take any and all actions they deem necessary or advisable to effect the foregoing resolutions.

The foregoing resolutions are dated May 13, 2022, and were adopted at a meeting of the Board as of that date.

Certified

Edward Meny, Chair

SOUTHWEST MICHIGAN BEHAVIORAL HEALTH OPERATING AGREEMENT

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PURPOSE

Pursuant to Michigan Law, an Operating Agreement is “an agreement among an organization’s participant members to govern the organization’s business, and the participant member’s financial and managerial rights and duties.” (MCL 450.4102(2)(r)).

Southwest Michigan Behavioral Health (SWMBH) Operating Agreement is established between SWMBH and its participant Community Mental Health Services Programs (CMHSPs). The Operating Agreement is approved by the regional SWMBH Board, which has as its membership representatives from each of the participant CMHSP Boards.

The primary purposes of this Operating Agreement are to:

- Declare that the Regional Entity is a separate legal entity from the participant CMHSP organizations;
- Augment specific sections of the SWMBH Bylaws, as referenced therein;
- Further define the governance and management structure of SWMBH that the participant CMHSPs have chosen for the organization;
- Clarify the business and operational relationships between SWMBH and its participant CMHSPs; and
- Clarify the provisions and understandings by which SWMBH will operate.

PREAMBLE

Southwest Michigan Behavioral Health (hereinafter referred to as “SWMBH”) is a Regional Entity created pursuant to MCL 330.1204b of the Michigan Mental Health Code, 1974 PA 258. A Regional Entity is an independent public governmental entity, and is separate from the counties, authorities, or organizations that establish it. SWMBH operates under the authority of its own Board of Directors (the “SWMBH Board”), which consists of membership from each of the participant CMHSP boards, as delineated in the SWMBH Regional Entity Bylaws.

SWMBH was created with the filing of its Bylaws with Michigan’s Office of the Great Seal. These Bylaws were approved by the following participant Community Mental Health Services Programs, which are organized and operated as community mental health authorities under Michigan’s Mental Health Code (MCL 330.1001 et seq.)

- Barry County Community Mental Health Authority;
- Berrien Mental Health Authority d/b/a Riverwood Center;
- Branch County Community Mental Health Authority, d/b/a Pines Behavioral Health Services;
- Calhoun County Community Mental Health Authority; d/b/a Summit Pointe;
- Cass County Community Mental Health Authority d/b/a Woodlands Behavioral Healthcare Network;
- Kalamazoo County Community Mental Health Authority, d/b/a/ Integrated Services of Kalamazoo;
- Community Mental Health and Substance Abuse Services of Saint Joseph County; and
- Van Buren Community Mental Health Authority.

As the Bylaws reference the Operating Agreement and require an annual review of this Operating Agreement with revisions subject to approval by the SWMBH Board, the Operating Agreement will be

filed by SWMBH with each County Clerk and the Office of the Great Seal when revisions occur.

SWMBH designated service area encompasses the following Michigan counties: Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph, and Van Buren. These counties are hereinafter known as the "Service Area" of SWMBH.

SWMBH was formed for the purpose of:

- (i) carrying out the provisions of the Mental Health Code in its Department designated service area as they relate to: serving as a prepaid inpatient health plan, as defined in 42 CFR 438.2 ("PIHP");
- (ii) managing the business lines for which SWMBH is the contractor to Michigan Department of Health and Human Services (MDHHS);
- (iii) ensuring a comprehensive array of services and supports as provided in the contracts with MDHHS;
- (iv) performing all the duties and responsibilities contained in the Department/Regional Entity Contract;
- (v) Substance Abuse Coordinating Agency (CA) required functions for its service area, pursuant to MCL 333.6230 et seq. (PA 501 of 2012; Amendments to Public Health Code), and MCL 330.1100a et seq. (PA 500 of 2012, Mental Health Code);
- (vi) contractual participation in the Department's MI Health Link (MiHL) demonstration project for its service area, serving persons with behavioral health needs who have both Medicare and Medicaid coverage; and finally
- (vii) exercising the powers and authority set forth by the Bylaws and governed by the SWMBH Board.

OPERATIONAL STRUCTURE

The aforementioned eight Community Mental Health Services Programs (the "Participants") have joined together to create a jointly governed regional entity operating as a Prepaid Inpatient Health Plan ("PIHP") for the purpose of supporting and furthering the work of the Participants in their roles as Community Mental Health Service Programs ("CMHSPs") as applicable in the counties they serve.

Inherent in this action is the belief that the Participants are best suited to provide services well matched to the needs of the communities and citizens served. SWMBH is established for the purpose of meeting its regulatory and statutory requirements, and other services as mutually agreed, while not encumbering, but enhancing, the efforts of the Participant CMHSPs. In serving and representing the counties of Barry, Berrien, Branch, Cass, Calhoun, Kalamazoo, Saint Joseph, Van Buren, SWMBH shall be dedicated to ensuring that equality in voice and governance exists, and that the benefit to the person participating in services is uniform, person centered, and locally available.

SWMBH is founded on a shared governance structure, using standing committees to create avenues for input. Certain checks and balances are created to ensure that governance remains balanced and equal. SWMBH exists to support all Participants, and all Participants must work collaboratively to ensure that

SWMBH is successful in its core mission.

The SWMBH Board has final authority over governing SWMBH, as set forth in the Bylaws approved by the Participants and subject to those powers reserved to the Participants in the Bylaws. This Operating Agreement reinforces the responsibility for governance of the Regional Entity to the SWMBH Board, and management of the Regional Entity to its Executive Officer (EO).

The SWMBH Board will be best served by an EO who is an accomplished administrator and facilitator, capable of bringing many and varied voices together to achieve consensus. The EO must promote compliance, fiscal responsibility, quality programs, meaningful outcomes, and efficiencies that will funnel more resources to direct services. The SWMBH Board shall also be advised by an Operations Committee that brings management expertise, local perspectives, local needs, and greater vision to the operation of the PIHP.

ORGANIZATION

Formation and Qualification. SWMBH has been formed by the Participants pursuant to the authority granted under the Michigan Mental Health Code, MCL § 330.1204b and by filing Bylaws with the County Clerks of each of the eight counties and the Michigan Secretary of State, Office of the Great Seal.

Name. The business of SWMBH may be conducted under that name or, in compliance with applicable laws, any other name that the SWMBH Board deems appropriate or advisable. SWMBH shall file any certificates, articles, fictitious business name statements and the like, and any amendments and supplements thereto, as SWMBH considers appropriate or advisable.

Office. The principal office of SWMBH shall be at such place or places of business within the eight counties as the SWMBH Executive Officer may determine.

SCOPE AND AUTHORITY

The intention of this Operating Agreement is to provide a paradigm for decision-making, and a structure for effective communication among members of the SWMBH Board, the Participants, SWMBH administration and, potentially, provider representatives, persons in service, SWMBH staff, and stakeholders, that is inclusive, collegial, equal and responsive.

The Operations Committee participates meaningfully in the establishment of and alignment to regional, SWMBH, and common CMHSPs goals.

- **Meetings.** The Operations Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Operations Committee may also meet by video and phone options and may act by unanimous written consent via e-mail in lieu of a meeting. Records of Operations Committee Meetings shall be kept.
- **Annual Self-Evaluation.** At least annually, the Operations Committee shall evaluate its own performance, and provide recommendations and conclusions to the Board.

- Standing Committees and Subcommittees. The Operations Committee may form and delegate authority to one or more Standing Committees made up of CEOs, or it may form self-populated subcommittees or workgroups as it deems appropriate from time to time under the circumstances. Such efforts will avoid duplication or role confusion.

SWMBH BOARD COMMITTEES AND OVERSIGHT BOARDS

Pursuant to the SWMBH Bylaws, the SWMBH Board shall create the following Committees or Oversight Boards:

- Operations Committee;

Operations Committee

“An Operations Committee will be formed consisting of the CEOs of the CMHSPs or their designees. The Operations Committee will have the responsibilities and authorities assigned by the Board and outlined in the Operating Agreement.” (SWMBH Bylaws 5.1.1)

The SWMBH Operations Committee is comprised of the Participant CEOs/Executive Directors, or their designees, and the SWMBH EO. The SWMBH EO participates in an ex-officio capacity without vote. The Operations Committee, in collaboration with the EO and SWMBH Board, participates in the development of the vision, mission and long-term plans of SWMBH. The Operations Committee, in a manner consistent with SWMBH Board directives, contributes to the hiring and evaluation process of the EO. The EO, in concert with the Operations Committee, develops and recommends priorities for the SWMBH Board’s consideration and makes recommendations to the SWMBH Board with respect to policy and fiscal matters. The EO collaborates with the Operations Committee in the development of the contracts between the Participants and SWMBH. Each CMHSP CEO is charged with assuring that its CMHSP complies with applicable federal and state standards and regulations. The Operations Committee is advisory to both the EO and SWMBH Board. Any items requiring approval from the Operations Committee requires a super majority (75% of present members) vote.

The Operations Committee shall function with a large degree of independence in the discharge of its responsibilities. The Operations Committee shall assess the information provided by the SWMBH management, in accordance with its business judgment; and will work in collaborative partnership with the SWMBH Executive Officer (EO) in carrying-out its responsibilities, and in the provision of advice and recommendations to the Board.

Operations Committee Responsibilities and Authorities

The Operations Committee and the individual CMHSP CEOs/Executive Directors will work actively and constructively to:

- A. Assure Participant CMHSP and community awareness of and alignment to SWMBH approved contracts, Participant subcontracts and related Plans, Policy and Procedures.
- B. Assure its CMHSP personnel are constructively involved in SWMBH Committees and related activities.
- C. Contribute to SWMBH and Participant CMHSP environmental awareness and SWMBH regional planning activities, including but not limited to strategic planning, Mission

development, operational and capital budgeting, growth, infrastructure, products and markets.

- D. Seek to resolve boundary issues, differences and disputes.
- E. On an ongoing basis consider possible administrative efficiencies where appropriate (Bylaws 11.2).

As listed throughout the Operating Agreement the Operations Committee does the following:

- A. Advises both the EO and SWMBH Board.
- B. Participates in the development of the vision, mission, and long-term plans of SWMBH and ensures alignment with common CMHSP goals.
- C. Reviews the annual operating and capital budget, Financial Management Plan, Cost Allocation Plan and Financial Risk Management Plan prior to presentation and approval by the SWMBH Board.
- D. Reviews the Quality Assurance and Program Improvement Program (QAPIP) prior to presentation and approval by the SWMBH Board.
- E. Reviews the Utilization Management Program (UM Plan) prior to implementation and/or presentation to the SWMBH Board.
- F. Advises the EO in advance of, and throughout, engaging in any meaningful discussion with other entities that may impact the operations or decision of participants' CMHSP or SWMBH.
- G. Attempts to resolve disputes between the Participants or one or more Participants and SWMBH at step 2 in the formal Dispute Resolution process.
- H. Assists the SWMBH Board in hiring and retention decisions regarding the SWMBH EO in a manner consistent with Board policy, and as requested.
- I. Responds to the EO's consultation before the EO renders a formal policy interpretation that may materially or negatively affect the Participants - where feasible.
- J. Reviews all grant applications submitted on behalf of SWMBH prior to being submitted.
- K. Responds to the EO's consultation before the EO determines what functions remain with SWMBH and which can be delegated to the Participants consistent with the Balanced Budget Act, Medicaid Managed Care Regulations.
- L. Advises the EO regarding any additional SWMBH contractual arrangements that involve the Participants.
- M. Provides a recommendation to the SWMBH Governing Board regarding any additional SWMBH contractual arrangements that involve the Participants and/or other vendors and requires approval by the SWMBH Governing Board.
- N. Where appropriate, reviews and comments on agendas, materials, and minutes of the Substance Use Disorder Oversight Policy Board (SUDOPB).

OPERATIONAL COMMITTEES AND POLICY BOARD COMMITTEES

SWMBH POLICY BOARDS AND COMMITTEES

Substance Use Disorder Oversight Policy Board is established to assist SWMBH develop and sustain a comprehensive array of prevention programs, treatment and other services and a provider network capable of meeting the needs of persons with substance use disorders. SWMBH has executed an Intergovernmental Contract with 8 county commissions. This contract and related statutes and regulations shall guide the responsibilities of the SUD Oversight Policy Board. The Substance Use Disorder Oversight

Policy Board will be constituted as required under MCL 330.1100a et seq. (PA 500 of 2012; Mental Health Code) and shall advise the SWMBH on issues concerning services to persons with substance use disorders. The functions and responsibilities assigned to the Board under law will include:

- A. Approval of that portion of SWMBH budget that includes local funds (PA2) for treatment or prevention of substance use disorders;
- B. Advice and recommendations regarding SWMBH budget for substance use disorder treatment or prevention using other nonlocal funding sources;
- C. Advice and recommendations regarding contracts with substance use disorder treatment or prevention providers;
- D. Other functions and responsibilities requested by SWMBH and accepted by amending Intergovernmental Contract.

Customer Advisory Committee (CAC) is established to advise SWMBH. The CAC is comprised of active or former customers, and may also include family members. Membership will include at least two but not more than three representatives from each county, nominated by Participants and other sources, recommended by the SWMBH EO, and appointed by the SWMBH Board, unless otherwise required by contract or regulation. Representatives will reflect the SWMBH population served and include those living with developmental disabilities, mental illness, serious emotional disturbance, and substance use disorders.

SWMBH Corporate Compliance Committee is established to develop the Compliance Plan for SWMBH Board approval and assist in implementing Program Integrity/Compliance Program of SWMBH. Committee members will include the SWMBH key functional areas such as Compliance, Utilization Management, Quality Management, Information Technologies, Finance, etc. as appointed by the EO. The Corporate Compliance Officer has a dual reporting relationship with the EO and the SWMBH Board. The Operations Committee will appoint a member to the SWMBH Compliance Committee.

SWMBH Standing Committees

Standing Operating Committees of SWMBH are:

- Finance Committee
- Quality Management Committee
- Utilization Management Committee
- Clinical Practices Committee
- Provider Network Management Committee
- Regional Information Technology Committee
- Customer Services Committee
- Regional Compliance Coordinating Committee

The CMHSP CEOs will ensure representatives from participant CMHSPs on all SWMBH Standing Committees. Each Participant CMHSP shall identify their representative to each committee. The EO with CMHSP support and involvement will actively pursue customer representation on standing committees. Committee work plans and goals shall be reviewed by the Operations Committee annually and in the event of changes to ensure alignment with SWMBH and common CMHSP goals. At its discretion, the Operations Committee may request an in-depth committee report or update.

Finance Committee is established to advise the EO and is comprised of the SWMBH Fiscal Officer and participant CMHSP Fiscal Officer or Finance Director, as appointed by the Participant CEOs/Executive Directors. The Finance Committee will be charged with advising the EO and SWMBH CFO in the development of the annual operating and capital budget; Financial Management Plan, Cost Allocation Plan, and Financial Risk Management Plan, for review by the SWMBH Operating Committee prior to presentation and approval by the SWMBH Board.

Quality Management Committee is established to advise the EO and is comprised of both SWMBH QAPI leader and Participant CMHSP QM staff. The Quality Management Committee will be charged with advising the EO and SWMBH QAPI Director in the development of the Quality Assurance and Program Improvement Program (QAPIP), for review by the SWMBH Operating Committee prior to presentation and approval by the SWMBH Board.

Utilization Management Committee is established to advise the EO and is comprised of both SWMBH Clinical leader and Participant CMHSP UM staff. The UM Committee will be charged with advising the EO and the SWMBH staff in the development of the Utilization Management Program (UM Plan) for review by the SWMBH Operations Committee prior to implementation, and/or presentation to the SWMBH Board.

Clinical Practices Committee is established to advise the EO and is comprised of both SWMBH Clinical leader and Participant CMHSP clinical staff. The CP Committee will be charged with advising the EO and the SWMBH staff in the development of the Clinical Practices Program for review by the SWMBH Operations Committee prior to implementation, and/or presentation to the SWMBH Board.

Provider Network Management Committee is established to advise the EO and is comprised of both SWMBH Provider Network Manager Leader and Participant CMHSP PNM staff, as appointed by the Participant CEOs/Executive Directors.

Regional Information Technology Committee is established to advise the EO and is comprised of both SWMBH CIO and Participant CMHSP IS/IT staff, as appointed by the Participant CEOs/Executive Directors.

Customer Services Committee is established to advise the EO and is comprised of both SWMBH staff and Participant CMHSP CS leader, as appointed by the Participant CEOs/Executive Directors.

Regional Compliance Coordinating Committee consists of both SWMBH Chief Compliance Officer and CMHSP Compliance Officers as appointed by the Participant CEOs/Executive Directors. It is established to insure sharing of Compliance knowledge and best practice among the participants.

Each Committee shall have a Charter, subject to review by the Operations Committee. Periodic Operations Committee reviews of Committee Charters at the direction of the Operations Committee and SWMBH EO.

Responsibilities of SWMBH and Participants Regarding the Participants and Committees

SWMBH EO and the Participant CMHSP CEOs/Executive Directors shall mutually assure communication and collaboration including but not limited to:

- A. Provide all parties, in a timely manner, copies of correspondence of a substantive nature to allow full consideration and deliberation prior to being called on to take action on such items.

- This includes but is not limited to: 1) policy, 2) contracts, 3) funding, 4) State and federal mandates, 5) items requiring a parties action and 6) legislative initiatives;
- B. Provide all parties with copies of minutes from meetings attended by staff as representatives of SWMBH, and provide timely reports to the Operations Committee, as requested;
 - C. It is the intent of the parties to operate an efficient and well managed organization, keeping cost reasonable, thus allowing a maximum flow of funding for services. To this end all parties will share in representing the SWMBH at State level meetings and on committees at the regional, State, federal, and any association levels. Only those authorized to do so by the EO may speak on behalf of SWMBH, and those representing SWMBH are to provide a written summary or minutes of the proceedings. Determination of SWMBH representation, if other than SWMBH staff appointed by the EO, at standing statewide PIHP committees or meetings will be discussed by the Operations Committee;
 - D. Provide timely and accurate financial reports, with detail at the level necessary to allow the Participant CEOs/Executive Directors to have a full understanding of fiscal operations and status of SWMBH matters;
 - E. Provide data to all parties Boards in a complete and timely manner, and provide additional reasonable detail as requested by the Participants;
 - F. Contribute to SWMBH and Participant CMHSPs environmental awareness and SWMBH regional planning activities, including but not limited to strategic planning, Mission development, operational and capital budgeting, growth, infrastructure, products and markets;
 - G. Advise the Operations Committee in advance of engaging in any meaningful discussion with other entities that may impact the operations or decision of CMHSPs; and
 - H. Establish and sustain a regular schedule for standing committee meetings and arrange for appropriate space and clerical support.

DISPUTE RESOLUTION PROCESS

"The manner for adjudicating a dispute or disagreement among Participants shall be set forth in an Operating Agreement, approved by the Regional Entity Board and incorporated herein by reference." (SWMBH Bylaws 3.6)

Occasionally disputes may arise that cannot be resolved through amiable discussion. Any unresolved disputes between the Participants or one or more Participant and SWMBH will be resolved as follows:

- 1. The Participant CMHSP CEOs/Executive Directors will attempt to resolve the dispute through discussion with each other, or the SWMBH EO if the dispute is with SWMBH.
- 2. If the dispute remains unresolved, the Participant CMHSP CEOs/Executive Directors, or the SWMBH EO if the dispute is with SWMBH, will bring the matter to the Operations Committee no later than its next scheduled meeting, which will discuss the matter and render a decision within fifteen (15) calendar days of the meeting, or within agreed upon timeframe by involved parties.
- 3. If the dispute continues to be unresolved to the satisfaction of the Participant/s or SWMBH, all parties to the dispute will provide written descriptions of the issue in dispute and propose a solution to the SWMBH Board within fifteen (15) calendar days or within agreed upon timeframe by involved parties. The SWMBH Board will have thirty (30) calendar days or a mutually agreed upon timeframe to provide a written decision.
- 4. If the Participant/s or SWMBH remain dissatisfied, the Participant/s or SWMBH may seek

mediation, arbitration or legal recourse as provided by PIHP-CMHSP contract and law.

5. Participant sub-contracts will include a Dispute Resolution section congruous with this approach.

OPERATION OF SWMBH

A. Budget

The Finance Committee is charged with advising the EO and SWMBH CFO in the development of the regional annual operating and capital budget; Financial Management Plan, Cost Allocation Plan, and Financial Risk Management Plan, for review by the SWMBH Operating Committee prior to presentation and approval by the SWMBH Board as applicable.

From these plans, annual operating and capital budgets will be developed. The Participants play an integral part in the budget development via its representatives on the SWMBH Finance Committee.

Annual operating and capital budgets will be developed in accordance with the principles outlined in SWMBH Financial Management and Financial Risk Management Plan and Cost Allocation Plans which are incorporated herein by reference and considered a part of this Operating Agreement. The annual operating and capital budgets will be reviewed by the Operations Committee prior to presentation to the SWMBH Board.

The annual operating budget shall plan for adequate funds for projected supports and services to beneficiaries. Budgeting shall consider Participant CMHSPs needs for capital and operating costs, payments of principal and interest on obligations; prudent risk management; reinvestment of Medicaid savings to ensure benefit stabilization; Participant CMHSPs meeting local match obligations for Medicaid; equitable distribution of any surplus funds available after the completion of the Regional Entity's purpose, and operations efficiency and effectiveness across the region.

The SWMBH CFO and Finance Committee may recommend to the EO potential areas where functional consolidation and administrative efficiencies may be achieved. These in turn will be considered by the EO and the Operations Committee. After thorough review, a proposal may be presented to the SWMBH Board for approval if necessary.

Purchase of Services (POS)

Participant CMHSPs singly or in groups may purchase services from SWMBH. Such arrangements shall be documented in writing with mutual agreement as to specification and pricing.

Where there is a POS agreement between SWMBH and one or more Participants, only those Participants who are a party to the agreement will be subject to the terms and conditions of the agreement. Cost associated with any agreements shall be managed between SWMBH and applicable Participants, subject to request for review by the Operations Committee.

Nothing shall prohibit a Participant from withdrawing from an agreement established with SWMBH to provide a service on behalf of the Participant. However, the Participant, once a party to an agreement, will be bound by that agreement and may withdraw only according to the terms of the agreement.

The SWMBH CFO and Finance Committee will establish a financial management system sufficient to

monitor revenues and expenditures by funding source (Medicaid, HMP, General Fund, etc.) and the Participants. SWMBH shall maintain accounts and source records in which any and all revenues received and expenses incurred are ascertainable and verifiable and include date of receipt/payment and sources of funds. The SWMBH CFO has the responsibilities set forth in MCL § 330.1204b and will be responsible for receiving, depositing, investing, and disbursing SWMBH's funds in the manner authorized by SWMBH Bylaws, Board policy, and operational policy.

B. Planning

The SWMBH Board, in collaboration with the Operations Committee and the EO, will develop and publish a mission statement and vision statement consistent with the principles of SWMBH.

Per Board directive the EO will facilitate a planning session, involving the SWMBH Board and the Operations Committee to create, update, or modify the Long-Term Plan of SWMBH. The process will allow for broad input and is intended to meet all contractual and accreditation requirements. The SWMBH Board will approve the Long-term Plan prior to its publication.

C. Compliance

All parties recognize that SWMBH is a regional entity, and holds distinct and different legal status and responsibilities than the Participants. SWMBH is the Department designated PIHP and CA Office for the Southwest Michigan service area.

Throughout the implementation of this Operating Agreement, all parties enter into this arrangement in a spirit of good faith and cooperation. All parties recognize that SWMBH may need to, at the discretion and with the advanced approval of the SWMBH EO and his/her designee, conduct random audits and/or reviews of the Participants. Such activity would occur with timely notice to the Participant CEOs/Executive Directors and Participant Compliance Officer to communicate rationale for the review and findings. The Participants acknowledge that SWMBH is responsible for ensuring that covered services and administrative services furnished by and through the Participants are furnished and compensated in accordance with applicable laws and regulations. Accordingly, on behalf of itself and its providers, the Participants acknowledge that SWMBH has the right, responsibility and authority:

1. To detect and deter compliance violations by the Participants and their providers by any lawful means, including monitoring and announced audits; and
2. In conjunction with the Participant CMHSPs Compliance Officer to independently investigate alleged or suspected compliance violations by the Participants, a network provider, or an employee, owner, or governing body members of either.

The Participants acknowledge their obligation to submit all requested financial and quality data and reports within the timelines as found in subcontracts, MDHHS directives or as agreed upon. Should a Participant CMHSPs not submit requested financial and quality data and reports in a complete, valid and timely manner, SWMBH will be empowered to take corrective action, including agreed upon sanctions, in accordance with the terms of the SWMBH/CMHSP Contract.

D. Human Resources

SWMBH will directly employ the EO, CFO, and CIO. The Operations Committee may recommend to the

SWMBH EO the use of other hired staff, or the use of a contract to secure other established positions as required.

The SWMBH EO shall appoint, or contract with, an individual or an organization to perform Human Resources functions.

The employee handbook of SWMBH shall be made available upon request to the Operations Committee.

The SWMBH Board has sole responsibility for all hiring and retention decisions regarding the SWMBH EO. The Operations Committee shall assist the SWMBH Board in this process as requested. This may include screening candidates to ensure the SWMBH Board receives only qualified applicants to consider and participation in the interview and evaluation process

E. Policy Development

The SWMBH EO, making full use of the Operations committee and standing committees, shall develop policies, exclusive of SWMBH internal operational policies.

The SWMBH EO shall consult with the Operations Committee before rendering a formal policy interpretation that may materially or negatively affect the Participants where feasible.

F. Contracts

SWMBH shall contract with the Participants as its CMHSP providers.

SWMBH, consistent with regulatory requirements and funds availability may consider with review from Operations Committee providing Participants with pilot or startup funding. Nothing other than federal or state statutory or regulatory prohibition should inhibit or prohibit a Participant CMHSPs from participating in opportunities to provide integrated and accountable care to serve the Medicaid population in its CMHSP catchment area provided that they are consistent with SWMBH policies, financial plan, financial risk management plan and cost allocation plan.

Consistent with the SWMBH mission, vision, and principles, all grant applications submitted on behalf of SWMBH must be reviewed by the Operations Committee prior to being submitted. This may necessitate review outside the regularly scheduled Operations Committee meetings due to funding application grant timelines.

The SWMBH EO shall, in consultation with Operations Committee, determine what functions remain with SWMBH and which can be delegated to the Participants consistent with the Medicaid Managed Care Rules.

The Operating Committee shall be consulted regarding significant contract arrangements that involve SWMBH and Participant CMHSPs. Nothing herein prohibits the participant CMHSPs from entering into opportunities at the local level to provide services.

“2.4.1 The Regional Entity shall have no powers, rights or authority with respect to:

- the Participants’ obligations under the Mental Health Code including those related to size, composition, and authority of the Participants’ Board;
- the Participants’ autonomous administrative, financial, or clinical operations; or

- the Participants' relationship with other providers unless the Regional Entity's involvement is so limited that it does not prevent the Participant from collaborating with other providers."
(SWMBH Bylaws 2.4)

AMENDMENTS

This Operating Agreement shall be reviewed and an Operations Committee Self-Evaluation shall be performed by the Operations Committee on an annual basis, with a report to the Board on both. Any recommended changes to the Operating Agreement will be forwarded to the SWMBH Board for consideration. All revisions or amendments to the Operating Agreement shall be in writing and formally approved by the SWMBH Board.

Southwest Michigan

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

Section: Board Policy – Governance	Policy Number: BG-011	Pages: 2
Subject: Governing Style and Commitment	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: 04.11.2014	Last Review Date: 5.14.21	Past Review Dates: 04.11.15, 05.08.15, 5.13.16, 12.9.16, 5.12.17, 5.11.18, 5.10.19, 5.8.20

I. **PURPOSE:**

The SWMBH Board will engage in continual refinement of its values and vision, guaranteeing the accountability of SWMBH through monitoring of performance.

II. **POLICY:**

The Board will govern lawfully, 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.

III. **STANDARDS:**

Accordingly, the SWMBH Board shall:

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.
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. 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.
4. Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.

5. Allow no officer, individual, or committee of the Board to hinder or be an excuse for not fulfilling group obligations.
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.
7. Follow the SWMBH Conflict of Interest Policy.
8. 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.

When a Member abstains from voting on a Board decision their potential vote count will not be removed from the vote tally denominator.

	E	F	H	J	K	L	M	N	O	P	Q	R	S
1	Southwest Michigan Behavioral Health												
2	For the Fiscal YTD Period Ended 3/31/2022												
3	P06FYTD22												
	Mos in Period 6												
	(For Internal Management Purposes Only)												
4	INCOME STATEMENT												
5	TOTAL												
6													
7	REVENUE												
18	Contract Revenue	188,179,157	120,776,849	24,901,139	10,259,220	872,565	4,823,342	2,324,082	-	3,155,646	1,056,314	-	-
19	DHHS Incentive Payments	290,161	-	-	-	-	-	-	-	-	-	-	-
20	Grants and Earned Contracts	244,329	-	-	-	-	-	-	244,329	-	-	-	-
21	Interest Income - Working Capital	9,207	-	-	-	-	-	-	-	-	-	9,207	-
22	Interest Income - ISF Risk Reserve	530	-	-	-	-	-	-	-	-	-	530	-
23	Local Funds Contributions	644,676	-	-	-	-	-	-	-	-	-	644,676	-
24	Other Local Income	-	-	-	-	-	-	-	-	-	-	-	-
25		-	-	-	-	-	-	-	-	-	-	-	-
26	TOTAL REVENUE	169,368,060	121,067,010	24,901,139	10,259,220	872,565	4,823,342	2,324,082	244,329	3,155,646	1,056,314	654,413	654,413
27													
28	EXPENSE												
29	Healthcare Cost												
30	Provider Claims Cost	11,685,085	1,723,961	3,733,884	-	508,327	-	2,160,857	159,705	2,803,069	595,281	-	-
31	CMHP Subcontracts, net of 1st & 3rd party	122,691,961	92,797,565	10,375,009	7,437,215	-	11,474,193	356,175	-	251,803	-	-	-
32	Insurance Provider Assessment Withhold (IPA)	1,783,006	1,422,628	360,378	-	-	-	-	-	-	-	-	-
33	Medicaid Hospital Rate Adjustments	1,378,300	1,378,300	-	-	-	-	-	-	-	-	-	-
34	MHL Cost in Excess of Medicare FFS Cost	-	314,055	-	-	-	-	(314,055)	-	-	-	-	-
35		-	-	-	-	-	-	-	-	-	-	-	-
36	Total Healthcare Cost	137,538,351	97,636,509	14,469,271	7,437,215	508,327	11,474,193	2,202,977	159,705	3,054,872	595,281	55.8%	-
37	Medical Loss Ratio (HCC % of Revenue)	81.5%	80.5%	58.1%	72.5%	58.3%	237.9%	94.8%	-	96.6%	-	-	-
38	Administrative Cost												
39	Purchased Professional Services	235,110	-	-	-	-	-	-	-	-	-	235,110	-
40	Administrative and Other Cost	4,279,619	-	-	-	-	-	-	84,625	10,987	-	4,185,254	-
41	Interest Expense	2,861	-	-	-	-	-	-	-	-	-	2,861	-
42	Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
43	Functional Cost Reclassification	(0)	-	-	-	-	-	-	-	-	-	(1,247)	-
44	Allocated Indirect Pooled Cost	8,525,662	7,089,939	809,034	588,318	-	-	38,370	-	-	-	-	-
45	Delegated Managed Care Admin	0	3,106,900	463,756	244,460	16,709	359,256	82,734	8,031	100,774	-	(4,382,620)	-
46	Apportioned Central Mgd Care Admin	-	-	-	-	-	-	-	-	-	-	-	-
47		-	-	-	-	-	-	-	-	-	-	-	-
48	Total Administrative Cost	13,043,252	10,196,839	1,272,790	832,777	16,709	359,256	121,105	92,656	111,762	39,358	2.5%	39,358
49	Admin Cost Ratio (MCA % of Total Cost)	8.7%	9.5%	8.1%	10.1%	3.2%	3.0%	5.2%	3.5%	3.5%	0.0%	2.2%	2.2%
50		-	-	-	-	-	-	-	-	-	-	-	-
51	Local Funds Contribution	644,676	-	-	-	-	-	-	-	-	-	644,676	-
52	PBIP Transferred to CMHPs	-	-	-	-	-	-	-	-	-	-	-	-
53		-	-	-	-	-	-	-	-	-	-	-	-
54		-	-	-	-	-	-	-	-	-	-	-	-
55	TOTAL COST after apportionment	151,226,279	107,833,349	15,742,062	8,269,992	525,036	11,833,449	2,324,082	252,360	3,166,634	595,281	654,034	654,034
56													
57	NET SURPLUS before settlement	18,141,781	13,233,662	9,159,077	1,989,227	347,530	(7,010,107)	0.0%	(8,031)	(10,987)	471,032	(29,621)	(29,621)
58	Net Surplus (Deficit) % of Revenue	10.7%	10.9%	36.8%	19.4%	39.8%	-145.3%	0.0%	-3.3%	-0.2%	44.2%	-4.5%	-4.5%
59	Prior Year Savings	-	-	-	-	-	-	-	-	-	-	-	-
60	Change in PA2 Fund Balance	(460,045)	-	-	-	-	-	-	-	-	(460,045)	(530)	(530)
61	ISF Risk Reserve Abatement (Funding)	(530)	-	-	-	-	-	-	-	-	-	-	-
62	ISF Risk Reserve Deficit (Funding)	(3,919,784)	-	-	-	-	-	-	-	-	-	-	-
63	Settlement Receivable / (Payable)	-	(1,912,630)	(6,680,504)	(1,989,227)	(347,530)	7,010,107	-	-	10,987	(10,987)	-	-
64		-	-	-	-	-	-	-	-	-	-	-	-
65	NET SURPLUS (DEFICIT)	13,761,422	11,321,031	2,478,573	-	-	-	-	(8,031)	-	-	(30,151)	(30,151)
66	HMP & Autism is settled with Medicaid	-	-	-	-	-	-	-	-	-	-	-	-
67		-	-	-	-	-	-	-	-	-	-	-	-
68	SUMMARY OF NET SURPLUS (DEFICIT)	-	-	-	-	-	-	-	-	-	-	-	-
69	Prior Year Unspent Savings	-	-	-	-	-	-	-	-	-	-	-	-
70	Current Year Savings	17,811,148	15,332,575	2,478,573	-	-	-	-	-	-	-	-	-
71	Current Year Public Act 2 Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
72	Local and Other Funds Surplus/(Deficit)	(4,049,726)	(4,011,544)	-	-	-	-	-	(8,031)	-	-	(30,151)	(30,151)
73		-	-	-	-	-	-	-	-	-	-	-	-
74	NET SURPLUS (DEFICIT)	13,761,422	11,321,031	2,478,573	-	-	-	-	(8,031)	-	-	(30,151)	(30,151)
75													

		F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Southwest Michigan Behavioral Health													
2	For the Fiscal YTD Period Ended 3/31/2022	Mas in Period												
3	(For Internal Management Purposes Only)	6												
					ok									
4	INCOME STATEMENT													
5		Total SWMBH	SWMBH Central	CMH Participants	Barry CMHA	Berrien CMHA	Pines Behavioral	Summit Pointe	Woodlands Behavioral	Integrated Services of Kalamazoo	St Joseph CMHA	Van Buren MHA		
6	Medicaid Specialty Services		HCC%	80.9%	76.9%	78.1%	64.8%	77.5%	85.8%	76.7%	75.0%	81.3%		
7	Subcontract Revenue	120,776,849	6,739,123	114,037,726	5,025,975	22,003,709	6,123,433	20,551,019	6,320,822	34,773,135	8,505,632	10,734,002		
8	Incentive Payment Revenue	290,161	141,782	148,379	4,236	45,129	24,886	58,244	-	-	15,885	-		
9	Contract Revenue	121,067,010	6,880,905	114,186,106	5,030,211	22,048,837	6,148,319	20,609,263	6,320,822	34,773,135	8,521,516	10,734,002		
10														
11	External Provider Cost	73,974,211	1,723,961	72,250,250	2,592,680	12,915,010	3,767,881	14,091,955	3,358,422	23,245,017	6,246,924	6,032,361		
12	Internal Program Cost	20,977,248	-	20,977,248	1,809,362	4,829,921	1,495,192	4,400,572	1,716,829	1,094,309	1,727,039	3,904,025		
13	SSI Reimb, 1st/3rd Party Cost Offset	(73,758)	-	(73,758)	-	(105,756)	(23,723)	(194,063)	-	281,955	(6,821)	(25,351)		
14	Insurance Provider Assessment Withhold (IPA)	2,800,928	2,800,928	-	-	-	-	-	-	-	-	-		
15	MHL Cost in Excess of Medicare FFS Cost	(82,290)	(82,290)	-	-	-	-	-	-	-	-	-		
16	Total Healthcare Cost	97,596,339	4,442,598	93,153,740	4,402,042	17,639,175	5,239,350	18,298,464	5,075,251	24,621,281	7,967,142	9,911,036		
17	Medical Loss Ratio (HCC % of Revenue)	80.6%	64.6%	81.6%	87.5%	80.0%	85.2%	88.8%	80.3%	70.8%	93.5%	92.3%		
18														
19	Managed Care Administration	10,235,210	3,106,900	7,128,309	602,679	1,898,478	217,244	1,480,927	579,168	1,226,901	374,541	748,371		
20	Admin Cost Ratio (MCA % of Total Cost)	9.5%	2.3%	6.6%	12.0%	9.7%	4.0%	7.5%	10.2%	4.7%	4.5%	7.0%		
21														
22	Contract Cost	107,831,549	7,549,499	100,282,050	5,004,721	19,537,654	5,456,594	19,779,391	5,654,419	25,848,182	8,341,683	10,659,406		
23	Net before Settlement	13,235,462	(668,594)	13,904,056	25,490	2,511,184	691,725	829,872	666,402	8,924,953	179,833	74,596		
24														
25	Prior Year Savings	-	-	-	-	-	-	-	-	-	-	-		
26	Internal Service Fund Risk Reserve	-	-	-	-	-	-	-	-	-	-	-		
27	Contract Settlement / Redistribution	(1,912,630)	11,991,425	(13,904,056)	(25,490)	(2,511,184)	(691,725)	(829,872)	(666,402)	(8,924,953)	(179,833)	(74,596)		
28	Net after Settlement	11,322,831	11,322,831	-	-	-	-	-	-	-	-	-		
29														
30	Eligibles and PMPM													
31	Average Eligibles	173,269	173,269	173,269	9,362	32,919	10,160	33,464	10,220	45,346	14,140	17,658		
32	Revenue PMPM	116.45	\$ 6.62	\$ 109.84	\$ 89.55	\$ 111.63	\$ 100.86	\$ 102.64	\$ 103.08	\$ 127.81	\$ 100.44	\$ 101.31		
33	Expense PMPM	103.72	\$ 7.26	\$ 96.46	\$ 89.10	\$ 98.92	\$ 89.51	\$ 98.51	\$ 92.21	\$ 95.00	\$ 98.32	\$ 100.61		
34	Margin PMPM	12.73	\$ (0.64)	\$ 13.37	\$ 0.45	\$ 12.71	\$ 11.35	\$ 4.13	\$ 10.87	\$ 32.80	\$ 2.12	\$ 0.70		
35														
36	Medicaid Specialty Services													
37	Budget v Actual													
38														
39	Eligible Lives (Average Eligibles)													
40	Actual	173,269	173,269	173,269	9,362	32,919	10,160	33,464	10,220	45,346	14,140	17,658		
41	Budget	150,993	150,993	150,993	7,748	29,128	8,480	28,644	8,958	39,711	12,462	15,862		
42	Variance - Favorable / (Unfavorable)	22,276	22,276	22,276	1,614	3,791	1,680	4,820	1,262	5,635	1,678	1,796		
43	% Variance - Fav / (Unfav)	14.8%	14.8%	14.8%	20.8%	13.0%	19.8%	16.8%	14.1%	14.2%	13.5%	11.3%		
44														
45	Contract Revenue before settlement													
46	Actual	121,067,010	6,880,905	114,186,106	5,030,211	22,048,837	6,148,319	20,609,263	6,320,822	34,773,135	8,521,516	10,734,002		
47	Budget	110,133,506	6,809,825	103,323,681	4,482,144	20,364,810	5,715,957	18,835,067	5,642,119	31,573,058	6,840,198	9,870,327		
48	Variance - Favorable / (Unfavorable)	10,933,504	71,080	10,862,424	548,067	1,684,027	432,362	1,774,195	678,703	3,200,077	1,681,318	863,675		
49	% Variance - Fav / (Unfav)	9.9%	1.0%	10.5%	12.2%	8.3%	7.6%	9.4%	12.0%	10.1%	24.6%	8.8%		
50														
51	Healthcare Cost													
52	Actual	97,596,339	4,442,598	93,153,740	4,402,042	17,639,175	5,239,350	18,298,464	5,075,251	24,621,281	7,967,142	9,911,036		
53	Budget	100,302,528	5,553,750	94,748,778	3,968,531	18,150,835	5,130,378	17,191,387	4,732,637	29,620,302	7,184,587	8,770,121		
54	Variance - Favorable / (Unfavorable)	2,706,189	1,111,151	1,595,038	(433,511)	511,660	(108,972)	(1,107,077)	(342,615)	4,999,021	(782,555)	(1,140,914)		
55	% Variance - Fav / (Unfav)	2.7%	20.0%	1.7%	-10.9%	2.8%	-2.1%	-6.4%	-7.2%	16.9%	-10.9%	-13.0%		
56														
57	Managed Care Administration													
58	Actual	10,235,210	3,106,900	7,128,309	602,679	1,898,478	217,244	1,480,927	579,168	1,226,901	374,541	748,371		
59	Budget	10,729,234	3,724,624	7,004,610	295,963	1,337,123	433,490	1,176,166	430,568	2,360,412	449,898	520,991		
60	Variance - Favorable / (Unfavorable)	494,025	617,724	(123,699)	(306,716)	(581,356)	216,246	(304,761)	(148,600)	1,133,511	75,357	(227,380)		
61	% Variance - Fav / (Unfav)	4.6%	16.6%	-1.8%	-103.6%	-42.0%	49.9%	-25.9%	-34.5%	48.0%	16.7%	-43.6%		
	CWHP SubCs													

	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Southwest Michigan Behavioral Health												
2	For the Fiscal YTD Period Ended 3/31/2022												
3	Mos in Period 6 ok (For Internal Management Purposes Only)												
4	INCOME STATEMENT												
5													
62													
63	Total Contract Cost												
64	Actual	107,831,549	7,549,499	100,282,050	5,004,721	19,537,654	5,456,594	19,779,391	5,654,419	25,848,182	8,341,683	10,659,406	
65	Budget	111,031,762	9,278,374	101,753,388	4,264,494	19,487,958	5,563,868	18,367,553	5,163,205	31,980,714	7,634,485	9,291,112	
66	Variance - Favorable / (Unfavorable)	3,200,214	1,728,875	1,471,339	(740,227)	(49,696)	107,274	(1,411,838)	(491,214)	6,132,532	(707,198)	(1,368,294)	
67	% Variance - Fav / (Unfav)	2.9%	18.6%	1.4%	-17.4%	-0.3%	1.9%	-7.7%	-9.5%	19.2%	-9.3%	-14.7%	
68													
69	Net before Settlement												
70	Actual	13,235,462	(668,594)	13,904,056	25,490	2,511,184	691,725	829,872	666,402	8,924,953	179,833	74,596	
71	Budget	(898,256)	(2,468,549)	1,570,293	217,650	876,853	152,090	467,514	478,914	(407,656)	(794,287)	579,215	
72	Variance - Favorable / (Unfavorable)	14,133,718	1,799,955	12,333,763	(192,160)	1,634,331	539,635	362,357	187,489	9,332,609	974,120	(504,619)	
73													
74													

		F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Southwest Michigan Behavioral Health													
2	Mas in Period													
3	For the Fiscal YTD Period Ended 3/31/2022													
4	6													
5	ok													
6	INCOME STATEMENT													
75	Healthy Michigan Plan													
76	Contract Revenue	24,901,139	5,418,306	HCC%	9.0%	19,482,833	987,928	3,835,685	933,891	3,627,552	962,091	5,738,049	1,537,409	1,860,227
77	External Provider Cost	9,842,790	3,733,884			6,108,906	280,980	848,652	534,573	1,460,677	127,877	1,819,395	547,954	488,697
78	Internal Program Cost	4,266,104				4,266,104	367,253	920,832	431,483	1,398,791	297,264		324,136	526,345
79	Insurance Provider Assessment Withhold (IPA)	360,378	360,378											
80	Total Healthcare Cost	14,469,271	4,094,262	75.5%	53.3%	10,375,009	648,233	1,769,484	966,056	2,859,468	425,241	1,819,395	872,090	1,015,041
81	Medical Loss Ratio (HCC % of Revenue)	58.1%					65.6%	46.1%	103.4%	78.8%	44.2%	31.7%	56.7%	54.6%
82	Managed Care Administration	1,272,790	463,756	8.1%	5.1%	809,034	88,749	190,447	62,892	209,647	48,527	90,640	41,889	76,645
83	Admin Cost Ratio (MCA % of Total Cost)	8.1%	2.9%				12.0%	9.7%	6.1%	6.8%	10.2%	4.7%	4.5%	7.0%
84	Contract Cost	15,742,062	4,558,018			11,184,044	736,982	1,959,931	1,028,748	3,069,115	473,768	1,910,035	913,779	1,091,886
85	Net before Settlement	9,159,077	860,288			8,298,789	250,946	1,875,754	(94,857)	558,437	488,323	3,828,014	623,630	768,541
86	Prior Year Savings													
87	Internal Service Fund Risk Reserve													
88	Contract Settlement / Redistribution	(6,680,504)	1,618,286			(8,298,789)	(250,946)	(1,875,754)	94,857	(558,437)	(488,323)	(3,828,014)	(623,630)	(768,541)
89	Net after Settlement	2,478,573	2,478,573											
90	Eligibles and PMPM													
91	Average Eligibles	74,371	74,371			74,371	3,762	14,642	3,521	13,579	4,457	21,411	5,842	7,157
92	Revenue PMPM	55.80	12.14			43.66	43.77	43.66	44.21	44.52	35.98	44.87	43.86	43.32
93	Expense PMPM	35.28	10.21			25.06	32.65	22.31	48.70	37.67	17.72	14.87	26.07	25.42
94	Margin PMPM	20.53	1.93			18.60	11.12	21.35	(4.49)	6.85	18.26	29.80	17.79	17.90
95														
96														
97														
98														
99														
100														
101	Healthy Michigan Plan													
102	Budget v Actual													
103	Eligible Lives (Average Eligibles)													
104	Actual	74,371	74,371			74,371	3,762	14,642	3,521	13,579	4,457	21,411	5,842	7,157
105	Budget	52,365	52,365			52,365	2,543	10,834	2,465	4,345	3,201	14,696	4,100	5,182
106	Variance - Favorable / (Unfavorable)	22,006	22,006			22,006	1,219	3,808	1,056	4,235	1,256	6,715	1,743	1,975
107	% Variance - Fav / (Unfav)	42.0%	42.0%			42.0%	47.9%	35.1%	42.8%	45.3%	39.2%	45.7%	42.5%	38.1%
108														
109														
110	Contract Revenue before settlement													
111	Actual	24,901,139	5,418,306			19,482,833	987,928	3,835,685	933,891	3,627,552	962,091	5,738,049	1,537,409	1,860,227
112	Budget	20,846,957	3,921,044			16,925,913	839,985	3,401,430	813,599	3,085,518	1,021,719	4,829,654	1,314,187	1,619,820
113	Variance - Favorable / (Unfavorable)	4,054,182	1,497,262			2,556,920	147,944	434,255	120,292	542,034	(59,628)	908,395	223,222	240,407
114	% Variance - Fav / (Unfav)	19.4%	38.2%			15.1%	17.6%	12.8%	14.8%	17.6%	-5.8%	18.8%	17.0%	14.8%
115														
116	Healthcare Cost													
117	Actual	14,469,271	4,094,262			10,375,009	648,233	1,769,484	966,056	2,859,468	425,241	1,819,395	872,090	1,015,041
118	Budget	13,714,976	3,094,419			10,620,557	571,695	1,778,969	527,081	2,743,505	431,744	2,790,011	896,581	1,080,971
119	Variance - Favorable / (Unfavorable)	(754,295)	(999,843)			245,548	(76,538)	9,485	(438,975)	(115,963)	6,503	970,616	(175,510)	65,930
120	% Variance - Fav / (Unfav)	-5.5%	-32.3%			2.3%	-13.4%	0.5%	-83.3%	-4.2%	1.5%	34.8%	-25.2%	6.1%
121														
122	Managed Care Administration													
123	Actual	1,272,790	463,756			809,034	88,749	190,447	62,892	209,647	48,527	90,640	41,889	76,645
124	Budget	1,308,846	533,476			775,370	42,636	131,052	44,536	187,700	39,279	222,333	43,620	64,215
125	Variance - Favorable / (Unfavorable)	36,055	69,720			(33,664)	(46,113)	(59,395)	(18,156)	(21,947)	(9,247)	131,694	1,931	(12,429)
126	% Variance - Fav / (Unfav)	2.8%	13.1%			-4.3%	-108.2%	-45.3%	-40.8%	-11.7%	-23.5%	59.2%	4.4%	-19.4%
127														
128	Total Contract Cost	15,742,062	4,558,018			11,184,044	736,982	1,959,931	1,028,748	3,069,115	473,768	1,910,035	913,779	1,091,886
129	Actual	15,023,822	3,627,895			11,395,927	614,330	1,910,021	571,617	2,831,205	471,024	3,012,344	740,200	1,145,187
130	Budget													

		F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Southwest Michigan Behavioral Health													
2	For the Fiscal YTD Period Ended 3/31/2022													
3	(For Internal Management Purposes Only)													
4	INCOME STATEMENT													
5		Total SWMBH	SWMBH Central	CMH Participants	Barry CMHA	Berrien CMHA	Pines Behavioral	Summit Pointe	Woodlands Behavioral	Integrated Services of Kalamazoo	St Joseph CMHA	Van Buren MHA		
131	Variance - Favorable / (Unfavorable)	(718,240)	(930,123)	211,884	(122,652)	(49,910)	(457,131)	(137,911)	(2,744)	1,102,309	(173,578)	53,501		
132	% Variance - Fav / (Unfav)	-4.8%	-25.6%	1.9%	-20.0%	-2.6%	-80.0%	-4.7%	-0.6%	36.6%	-23.5%	4.7%		
133														
134	Net before Settlement	9,159,077	860,288	8,298,789	250,946	1,875,754	(94,857)	558,437	488,323	3,828,014	623,630	768,541		
135	Actual	5,823,135	293,149	5,529,986	225,655	1,491,409	241,983	154,313	550,696	1,817,310	573,987	474,633		
136	Budget	3,335,942	567,139	2,768,804	25,292	384,345	(336,840)	404,124	(62,372)	2,010,704	49,643	293,908		
137	Variance - Favorable / (Unfavorable)													
138														
139														

		F	G	H	I	J	K	L	M	N	O	P	Q	R
1		Southwest Michigan Behavioral Health												
2		For the Fiscal YTD Period Ended 3/31/2022												
3		Mos in Period 6												
		ok												
4		INCOME STATEMENT												
5														
140		Autism Specialty Services												
141		Contract Revenue	10,259,220	95,568	10,163,652	6.5%	540,183	1,871,491	575,975	1,933,590	463,191	2,946,192	823,677	1,009,353
142		External Provider Cost	6,579,147	-	6,579,147	-	-	2,115,841	7,554	940,490	5,981	2,802,926	2,318	704,038
143		Internal Program Cost	858,069	-	858,069	-	206,227	1,808	32,304	597,883	-	-	-	19,847
144		Insurance Provider Assessment Withhold (IPA)	-	-	-	-	-	-	-	-	-	-	-	-
145		Total Healthcare Cost	7,437,215	-	7,437,215	-	206,227	2,117,648	39,858	1,538,373	5,981	2,802,926	2,318	723,885
146		Medical Loss Ratio (HCC % of Revenue)	72.5%	0.0%	73.2%	36.2%	36.2%	113.2%	6.9%	79.6%	1.3%	95.1%	0.3%	71.7%
147		Managed Care Administration	832,777	244,460	588,318	7.1%	28,234	227,919	4,694	132,490	683	139,638	-	54,660
148		Admin Cost Ratio (MCA % of Total Cost)	10.1%	3.0%	7.1%	12.0%	12.0%	9.7%	10.5%	7.5%	10.2%	4.7%	0.0%	7.0%
149		Contract Cost	8,269,992	244,460	8,025,532	-	234,461	2,345,568	44,552	1,670,863	6,663	2,942,563	2,318	778,545
150		Net before Settlement	1,989,227	(148,892)	2,138,119	-	305,722	(474,077)	531,423	262,727	456,527	3,629	821,359	230,808
151		Contract Settlement / Redistribution	(1,989,227)	148,892	(2,138,119)	-	(305,722)	474,077	(531,423)	(262,727)	(456,527)	(3,629)	(821,359)	(230,808)
152		Net after Settlement	0	0	0	-	-	-	-	-	-	-	-	-
153		SUD Block Grant Treatment												
154		Contract Revenue	3,155,646	2,923,158	232,488	0.2%	18,878	97,648	14,133	-	30,478	-	39,484	31,868
155		External Provider Cost	2,803,069	2,803,069	-	-	-	-	-	-	-	-	-	-
156		Internal Program Cost	251,803	-	251,803	-	7,934	75,966	23,784	-	98,863	-	11,434	33,824
157		Insurance Provider Assessment Withhold (IPA)	-	-	-	-	-	-	-	-	-	-	-	-
158		Total Healthcare Cost	3,054,872	2,803,069	251,803	-	7,934	75,966	23,784	-	98,863	-	11,434	33,824
159		Medical Loss Ratio (HCC % of Revenue)	96.8%	95.9%	108.3%	42.0%	42.0%	77.8%	168.3%	0.0%	324.4%	0.0%	29.0%	106.1%
160		Managed Care Administration	100,774	100,774	-	-	-	-	-	-	-	-	-	-
161		Admin Cost Ratio (MCA % of Total Cost)	3.2%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
162		Contract Cost	3,155,646	2,903,843	251,803	-	7,934	75,966	23,784	-	98,863	-	11,434	33,824
163		Net before Settlement	(0)	19,315	(19,315)	-	10,944	21,682	(9,651)	-	(68,385)	-	28,051	(1,956)
164		Contract Settlement	10,987	(6,328)	19,315	-	(10,944)	(21,682)	9,651	-	68,385	-	(28,051)	1,956
165		Net after Settlement	10,987	10,987	-	-	-	-	-	-	-	-	-	-
166														
167														
168														
169														
170														
171														
172														
173														
174														
175														

	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Southwest Michigan Behavioral Health												
2	For the Fiscal YTD Period Ended 3/31/2022												
3	(For Internal Management Purposes Only)												
4	INCOME STATEMENT												
5													
176	SWMBH CMHP Subcontracts												
177	Subcontract Revenue	159,092,854	15,176,155	143,916,699	6,572,964	27,808,532	7,647,432	26,112,161	43,457,376	10,906,202	13,635,450		
178	Incentive Payment Revenue	290,161	141,782	148,379	4,236	45,129	24,886	58,244	-	15,885	-		
179	Contract Revenue	159,383,015	15,317,936	144,065,079	6,577,200	27,853,661	7,672,318	26,170,405	43,457,376	10,922,087	13,635,450		
180													
181	External Provider Cost	93,199,217	8,260,914	84,938,302	2,873,661	15,879,502	4,310,008	16,493,122	27,867,338	6,797,196	7,225,096		
182	Internal Program Cost	26,353,224	-	26,353,224	2,390,775	5,828,527	1,982,763	6,397,246	1,094,309	2,062,608	4,484,040		
183	SSI Reimb. 1st/3rd Party Cost Offset	(73,758)	-	(73,758)	-	(105,756)	(23,723)	(194,063)	281,955	(6,821)	(25,351)		
184	Insurance Provider Assessment Withhold (IPA)	3,161,306	3,161,306	-	-	-	-	-	-	-	-		
185	MHL Cost in Excess of Medicare FFS Cost	(82,290)	(82,290)	-	-	-	-	-	-	-	-		
186	Total Healthcare Cost	122,557,698	11,339,930	111,217,768	5,264,436	21,602,273	6,269,048	22,696,305	29,243,602	8,852,983	11,683,786		
187	Medical Loss Ratio (HCC % of Revenue)	76.9%	74.9%	77.2%	80.0%	77.6%	81.7%	86.7%	67.3%	81.1%	85.7%		
188													
189	Managed Care Administration	12,441,551	3,915,890	8,525,661	719,662	2,316,845	284,630	1,823,065	1,457,178	416,230	879,675		
190	Admin Cost Ratio (MCA % of Total Cost)	9.2%	2.3%	6.3%	12.0%	9.7%	4.3%	7.4%	4.7%	4.5%	7.0%		
191													
192	Contract Cost	134,999,249	15,255,819	119,743,430	5,984,097	23,919,118	6,553,678	24,519,369	30,700,780	9,269,213	12,563,461		
193	Net before Settlement	24,383,766	62,117	24,321,649	593,103	3,934,543	1,118,640	1,651,036	12,756,596	1,652,874	1,071,989		
194													
195	Prior Year Savings	-	-	-	-	-	-	-	-	-	-		
196	Internal Service Fund Risk Reserve	-	-	-	-	-	-	-	-	-	-		
197	Contract Settlement	(10,571,374)	13,750,275	(24,321,649)	(593,103)	(3,934,543)	(1,118,640)	(1,651,036)	(12,756,596)	(1,652,874)	(1,071,989)		
198	Net after Settlement	13,812,392	13,812,392	0	0	0	0	0	0	0	0		
199													
200													

	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Southwest Michigan Behavioral Health												
2	For the Fiscal YTD Period Ended 3/31/2022												
3	(For Internal Management Purposes Only)												
4	INCOME STATEMENT												
5	State General Fund Services												
201	Contract Revenue			HCC%	6,385,690	432,144	1,057,307	646,935	929,748	403,740	1,913,275	446,616	555,925
202													
203	External Provider Cost				1,403,112	133,557	200,174	37,130	280,327	187,075	344,872	144,224	75,753
204	Internal Program Cost				2,455,482	183,892	496,139	163,825	798,401	122,540	188,729	70,855	431,101
205	SSI Reimb, 1st/3rd Party Cost Offset				-	-	-	-	-	-	-	-	-
206	Total Healthcare Cost				3,858,594	317,449	696,313	200,955	1,078,728	309,615	533,602	215,079	506,854
207	Medical Loss Ratio (HCC % of Revenue)				60.4%	73.5%	65.9%	31.1%	116.0%	76.7%	27.9%	48.2%	91.2%
208													
209	Managed Care Administration				367,674	48,079	84,160	23,803	96,613	38,762	26,563	7,263	42,411
210	Admin Cost Ratio (MCA % of Total Cost)				8.7%	13.2%	10.8%	10.6%	8.2%	11.1%	4.7%	3.3%	7.7%
211													
212	Contract Cost				4,226,268	365,527	780,473	224,758	1,175,341	348,377	560,185	222,341	549,265
213	Net before Settlement				2,159,422	66,617	276,834	422,177	(245,593)	55,363	1,353,090	224,275	6,660
214													
215	Other Redistributions of State GF				50,113	-	-	-	-	-	-	50,113	-
216	Contract Settlement				(374,468)	(64,841)	(274,451)	-	-	(35,176)	-	-	-
217	Net after Settlement				1,835,067	1,776	2,383	422,177	(245,593)	20,187	1,353,090	274,388	6,660
218													
219													

SWMBH SERVICES ADMINISTRATIVE CONTRACTS

(October 2021 - March 2022)

AUNALYTICS	
Deliverables/Services	<ul style="list-style-type: none"> • Provides Data Center & Storage Services • Web Hosting • Cloud Computing Services • Network Infrastructure • VOIP • Wireless Communications • Hardware and Software Needs (with Helpdesk Support) • Related Project Management
	FY22 Expenditure: \$162,229 (FY21 Expenditure: \$184,098)
BAUCKHAM, SPARKS, THALL, SEEGER & KAUFMAN P.C.	
Deliverables/Services	<ul style="list-style-type: none"> • Medicaid fair hearing counsel: Act as legal representation on behalf of SWMBH and participant CMHSP's for the Fair Hearing process • Perform tasks related to Fair Hearing preparation process: Record review, witness preparation and interviews • Hearing Summary preparation • Legal consultation related to Fair Hearing process
	FY22 Expenditure: \$1,296 (FY21 Expenditure: \$945)
BLUE FIRE MEDIA, INC	
Deliverables/Services	<ul style="list-style-type: none"> • Supports the SWMBH public website
	FY22 Expenditure: \$1,275 (FY21 Expenditure: \$1,065)
CAPITOLINE CONSULTING	
Deliverables/Services	<ul style="list-style-type: none"> • Consultation service on federal policy, regulations & funding opportunities • Secure materials and prepare briefs summarizing attended events
	FY22 Expenditure: \$10,375 (FY21 Expenditure: \$11,625)
CONTRACT PHYSICIANS	
Deliverables/Services	<ul style="list-style-type: none"> • Program policy issue consultation • Service guideline consultation and review • Medical policy review and approval • SWMBH credentialing panel participant • Consultation provided to Member Services and Contractor Network Management as necessary • On-call Medical decisions with Utilization Management during non-business hours • BH Human Resource Management Committee consultant
	FY22 Expenditure: \$19,974 (FY21 Expenditure: \$21,333)

	FINCH CONSULTING
Deliverables/Services	<p>Assisting with activities and documents related to:</p> <ul style="list-style-type: none"> • State reporting development • Risk reserve requirements review • Refinement of cost management systems region wide • CMH financial statement support
Deliverables/Services	<p>FY22 Expenditure: \$5,610 (FY21 Expenditure: \$64,268)</p> <p>HEALTH MANAGEMENT ASSOCIATES</p> <ul style="list-style-type: none"> • Technical assistance on emerging regulatory initiatives regarding population health management, duals, opioid health homes and data analytics
Deliverables/Services	<p>FY22 Expenditure: \$100,125 (FY21 Expenditure: \$4,690)</p> <p>INTEGRATED SERVICES OF KALAMAZOO (CONTRACT ENDED 9/30/21)</p> <ul style="list-style-type: none"> • Access to EDI system
Deliverables/Services	<p>FY22 Expenditure: N/A (FY21 Expenditure: \$6,000)</p> <p>MORC, INC</p> <ul style="list-style-type: none"> • Support intensity scale assessment training
Deliverables/Services	<p>FY22 Expenditure: N/A (FY21 Expenditure: \$10,350)</p> <p>PARMENTER & ASSOCIATES</p> <ul style="list-style-type: none"> • General legal counsel
Deliverables/Services	<p>FY22 Expenditure: \$975 (FY21 Expenditure: \$22,550)</p> <p>PHD CONSULTANTS/LIGHTHOUSE BEHAVIORAL HEALTH</p> <ul style="list-style-type: none"> • Mental Health Parity project • Clinical consultation and project management
Deliverables/Services	<p>FY22 Expenditure: \$10,200 (FY21 Expenditure: \$28,075)</p> <p>PREST AND ASSOCIATES</p> <ul style="list-style-type: none"> • Health Plan professional independent review and consulting service • Utilization reviews concerning medical necessity and/or medical appropriateness of treatment
Deliverables/Services	<p>FY22 Expenditure: \$308 (FY21 Expenditure: \$179)</p> <p>PROTOCOL</p> <ul style="list-style-type: none"> • On-call crisis intervention counseling and related reporting
Deliverables/Services	<p>FY22 Expenditure: \$21,231 (FY21 Expenditure: \$25,714)</p> <p>QUEST ANALYTICS, LLC</p> <ul style="list-style-type: none"> • Annual Software licensing cost • To Provide Network Adequacy analysis
	FY22 Expenditure: \$8,888 (FY21 Expenditure: \$8,138)

RELIAS POPULATION HEALTH (FORMERLY CARE MANAGEMENT TECHNOLOGIES, INC)	
Deliverables/Services	<ul style="list-style-type: none"> Licensed proprietary healthcare data analytics solution Analyze data in order to determine opportunities for improving care and decreasing costs for SWMBH and CMHSPs Install and manage population health and case level user application
	FY22 Expenditure: \$69,499 (FY21 Expenditure: \$100,915)
ROSE ST ADVISORS/HRM INNOVATIONS, INC	
Deliverables/Services	<p>Provides support, direction and consultation in the area of Human Resources ensuring federal and state regulations and standards are met. Tasks include, but not limited to:</p> <ul style="list-style-type: none"> Cultural Insights Surveys Strategic leadership planning Human Resource Consulting Recruiting
	FY22 Expenditure: \$10,950 (FY21 Expenditure: \$23,450)
ROSLUND PRESTAGE & COMPANY, P.C	
Deliverables/Services	<ul style="list-style-type: none"> Financial, Compliance & Single audit
	FY22 Expenditure: \$46,750 (FY21 Expenditure: \$31,950)
STREAMLINE HEALTHCARE SOLUTIONS	
Deliverables/Services	<ul style="list-style-type: none"> Streamline Care Management System is a desktop application used to manage and pay external providers
	FY22 Expenditure: \$135,506 (FY21 Expenditure: \$107,143)
TBD SOLUTIONS LLC	
	<ul style="list-style-type: none"> Level of Care Data Analytics and Guidelines project Strategic Planning Support Internal Functional assessment of UM Call Center and Provider Network
	FY22 Expenditure: \$16,214 (FY21 Expenditure: \$5,761)
VARNUM LLP	
Deliverables/Services	<ul style="list-style-type: none"> Retirement plans and labor law legal consultation
	FY22 Expenditure: \$9,437 (FY21 Expenditure: \$112)
VOICES FOR HEALTH	
Deliverables/Services	<ul style="list-style-type: none"> Translation and Interpretation services
	FY22 Expenditure: \$2,458 (FY21 Expenditure: \$12,641)

Contract Services (through March 31, 2022)

FY 2022 Actual: \$633,300

FY 2021 Actual: \$671,002

Delta \$: -\$37,702

Delta %: -5.62%

SWMBH FY21 PBIP Distribution

	Dollars Earned	Additional awarded to SWMBH from unearned by other PIHPs
CMH	\$ 937,594.76	\$ 13,069.79
SWMBH	\$ 1,108,088.91	
	\$ 2,045,683.67	13,069.79

Eligibles FY21	Eligibles FY21	% of Total	Initial Per CMH	Additional Award	SWMBH earned funding 50% to CMHs	Total distributed to CMHs
Barry	12,309	5.3%	\$ 49,332.45	\$ 687.68	\$ 29,151.58	\$ 79,171.71
Berrien	45,429	19.4%	\$ 182,072.97	\$ 2,538.04	\$ 107,590.75	\$ 292,201.76
Branch	12,799	5.5%	\$ 51,296.62	\$ 715.06	\$ 30,312.25	\$ 82,323.93
Calhoun	43,902	18.8%	\$ 175,951.34	\$ 2,452.71	\$ 103,973.34	\$ 282,377.39
Cass	13,992	6.0%	\$ 56,077.64	\$ 781.71	\$ 33,137.45	\$ 89,996.80
Kalamazoo	62,828	26.9%	\$ 251,805.97	\$ 3,510.10	\$ 148,797.44	\$ 404,113.51
St Joe	18,948	8.1%	\$ 75,941.47	\$ 1,058.60	\$ 44,875.41	\$ 121,875.48
VanBuren	23,733	10.1%	\$ 95,116.30	\$ 1,325.89	\$ 56,206.22	\$ 152,648.41
SWMBH						
			\$ 937,594.76	\$ 13,069.79	\$ 554,044.44	\$ 1,504,708.99
Total Eligibles	233,940	100%				



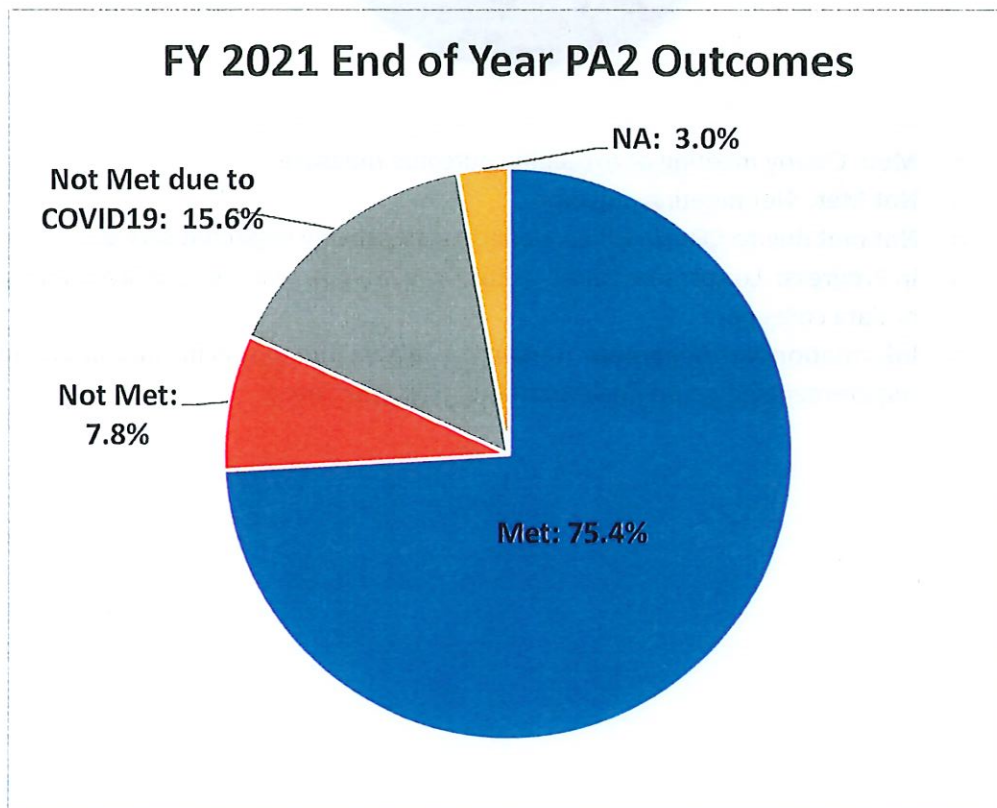
Substance Use Disorder Oversight Policy Board Update

Substance Use Disorder Oversight Policy Board (SUDOPB):

This Board is comprised of at least one representative from each of the eight SWMBH counties. The primary role of the SUDOPB is to provide PA2 liquor tax budget approval, oversight, and monitoring of substance use disorder treatment and prevention services. Currently, the SUDOPB has 12 members. Any requests for new funding or budget amendments must be approved by this Board.

Fiscal Year 2021 Summary:

- \$1.9 Million Dollar Budget Approved for the Region
 - 26 Providers
 - 53 Programs
 - 167 Outcome Measures
- Final FY2021 Report for Provider Outcomes:

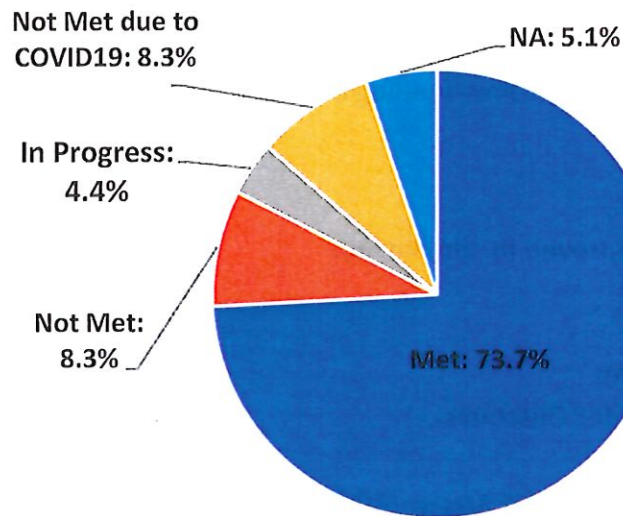


- COVID 19 negatively impacted services such as programming in the jail

Fiscal Year 2022 Summary:

- \$2.1 Million Dollar Budget Approved for the Region
 - 25 SWMBH Contracted Providers
 - 46 Programs
 - 157 Outcome Measures
- Mid-year evaluation (October 2021 – March 2022) of all program's performance metrics will be presented at the May 16, 2022 SUDOPB meeting.
- Mid-Year FY2022 Report for Provider Outcomes:

FY 2022 Mid-Year PA2 Outcome Report



- **Met:** Clearly meeting or exceeding outcome measure
- **Not Met:** Not meeting outcome
- **Not met due to COVID-19:** Pandemic has negatively impacted services
- **In Progress:** Longer term projects that involve more planning, delayed implementation, or data collection
- **Information Not Applicable:** Data not available due to specific measurement requirements (e.g.: pregnant mothers, graduates, etc.).



Southwest Michigan Behavioral Health Board Meeting

Four Points by Sheraton, 3600 E. Cork St. Kalamazoo, MI 49001

June 10, 2022

9:30 am to 11:30 am

(d) means document provided

Draft: 4/27/22

1. Welcome Guests/Public Comment
2. Agenda Review and Adoption (d)
3. Financial Interest Disclosure Handling (M. Todd)
 - None Scheduled
4. Consent Agenda
 - May 13, 2022 SWMBH Board Meeting Minutes (d)
5. Operations Committee
 - Operations Committee April 27, 2022 Meeting minutes (d)
6. Ends Metrics Updates (**Requires motion*)
Is the Data Relevant and Compelling? Is the Executive Officer in Compliance? Does the Ends need Revision?
 - None Scheduled
7. Board Actions to be Considered
 - a. Board Retreat Debriefing
 - b. Appreciation/Honor for Rep. Fred Upton and/or Event
8. Board Policy Review
Is the Board in Compliance? Does the Policy Need Revision?
 - BG-012 Open Meetings Act and Freedom of Information Act (d)
9. Executive Limitations Review
Is the Executive Officer in Compliance with this Policy? Does the Policy Need Revision?
 - a. BEL-007 Compensation and Benefits (E. Krogh) (d)
 - b. BEL-002 Financial Conditions (M. Starkey) (d)
 - c. BEL-006 Investments (C. Naccarato) (d)

10. Board Education

- a. Fiscal Year 2022 Year to Date Financial Statements (T. Dawson) (d)
- b. Fiscal Year 2023 Budget Assumptions and Budget Calendar (T. Dawson) (d)
- c. Milliman Certification (T. Dawson) (d)
- d. SFY 2021 External Quality Review Technical Report (J. Gardner and N. Spivak) (d)

11. Communication and Counsel to the Board

- a. System Transformation Legislation
- b. October 7th Healthcare Policy Forum – save the date
- c. Board Member Attendance Roster (d)
- d. August Direct Inspection Reports – none scheduled

12. Public Comment

13. 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

**Four Points by Sheraton, 3600 E. Cork St. Kalamazoo, MI 49001
August 12, 2022
9:30 am - 11:00 am**



Engagement Letter Single Audit

To the Board of Directors
Southwest Michigan Behavioral Health

We are pleased to confirm our understanding of the services we are to provide Southwest Michigan Behavioral Health for the year ended September 30, 2021. We will audit the financial statements of the business-type activities and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Southwest Michigan Behavioral Health as of and for the year ended September 30, 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Southwest Michigan Behavioral Health's basic financial statements. Such information, 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. As part of our engagement, we will apply certain limited procedures to Southwest Michigan Behavioral Health's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies Southwest Michigan Behavioral Health's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying our auditor's report on the financial statements:

1) Schedule of expenditures of federal awards.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could

ROSLUND, PRESTAGE & COMPANY, P.C.
525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN

have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our single audit. Our reports will be addressed to the governing body of Southwest Michigan Behavioral Health. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a single audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Southwest Michigan Behavioral Health's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB *Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Southwest Michigan Behavioral Health's major programs. For federal programs that are included in the 2021 Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the 2021 Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on Southwest Michigan Behavioral Health's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of Southwest Michigan Behavioral Health in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. We will also assist in the calculation for the provision of depreciation (if applicable). These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted

accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address

significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing including, but not limited to those items shown in Exhibit A.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to Southwest Michigan Behavioral Health's management; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Roslund, Prestage & Company, P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the cognizant agency, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Roslund, Prestage & Company, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the cognizant agency, oversight agency for audit, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

William Hirschman is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

To ensure that Roslund, Prestage & Company, P.C.'s independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed the amounts stated below.

Our fee for these services will be:

Fiscal year 2021 financial audit:	\$13,600
Fiscal year 2021 single audit – one program:	\$ 3,800
Fiscal year 2021 single audit – each additional program:	\$ 1,200

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered periodically as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel, the completion of the items shown in Exhibit A, and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Those documents are available on our website.

We appreciate the opportunity to be of service to Southwest Michigan Behavioral Health and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

Roslund, Prestage & Company, P.C.

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

RESPONSE:

This letter correctly sets forth the understanding of Southwest Michigan Behavioral Health.

By: Bradley Casemore *Bradley Casemore*
Bradley Casemore (Apr 25, 2022 12:41 EDT)

Title: Executive Officer

Date: 4/25/2022

2022 SWMBH Board Member & Board Alternate Attendance												
Name:	January	February	March	April	May	June	July	August	September	October	November	December
Board Members:												
Ruth Perino (Barry)												
Edward Meny (Berrien)												
Tom Schmelzer (Branch)												
Marcia Starkey (Calhoun)												
Vacant (Cass)												
Erik Krogh (Kalamazoo)												
Carole Naccarto (St. Joe)												
Susan Barnes (Van Buren)												
Alternates:												
Robert Becker (Barry)												
Randy Hyrns (Berrien)												
Jon Houtz (Branch)												
Kathy-Sue Vette (Calhoun)												
Vacant (Cass)												
Patricia Guenther (Kalamazoo)												
Cathi Abbs (St. Joe)												
Angie Dickerson (Van Buren)												

as of 4/8/22

Green = present
Red = absent
Black = not a member
Gray = meeting cancelled

