

Meeting Agenda Board of Directors Work Session April 26, 2023, 11:00 AM GVSU Muskegon Innovation Hub 200 Viridian Dr, Muskegon, MI 49440

- 1. Welcome and Opening Comments Mr. DeYoung
- 2. Public Comment
- 3. Historical Deficit Funding Presentation Ms. Marlatt-Dumas/Ms. Chick
- 4. Board Member Comment
- 5. Public Comment
- 6. Adjourn



#### **Historical Deficit Funding**

April 26, 2023



#### **Historical Deficit**

- \$29.4 million total
- Carried forward from FY18 & FY19
- Contributing causes
  - Data quality issues
  - Utilization





#### **Current Deficit**

- HealthWest
  - FY22 spent \$1.1 million above PMPM allocation, resulting in corrective action plan
  - FY23 projected \$2.8 million deficit based on February FSR yearto-date actual spending
    - Projected \$5.5 million surplus based on February FSR year-to-date revenue projections
    - Spending plan shows \$5.9 million surplus
- Network180
  - FY22 managed within PMPM allocation, but spent \$7.7 million designated for risk reserve contribution
  - FY23 projected \$151,281 deficit based on February FSR year-todate actual spending
    - Projected \$1.2 million deficit based on February FSR year-to-date revenue projections
    - Spending plan shows \$1.9 million surplus
    - Informal request for additional \$6.6 million not included above





#### **Risk Reserves**

- Necessary to protect service delivery
- Board approved withholding funds to pre-fund FY22 risk reserves

#### FY22 Risk Reserve Contributions in Millions

СМН	Projected		Actual	Variance	
OnPoint	\$	2.5 \$	3.4	\$	0.9
HealthWest	\$	5.9 <mark>\$</mark>	(1.1)	\$	(7.0)
Ottawa	\$	3.9 \$	3.9	\$	-
Network180	\$	14.0 \$	6.3	\$	(7.7)
West Michigan	\$	2.0 \$	1.6	\$	(0.4)
Total	\$	28.3 \$	14.1	\$	(14.2)

• FY23 is not pre-funded because risk reserves were projected to be fully funded after FY22





#### **Current Risk Reserve Balances**

- ISF\* \$25.4 million
- Medicaid Savings\* \$14.1 million
- Funding due from MDHHS
  - FY22 PBIP \$2.82 million to be distributed proportionally to all CMHs
  - FY18 & FY19 Cost Settlement \$4.3 million

\*Preliminary, subject to change with CMH and LRE compliance examinations and pending finalized FY22 reports





## Risks

- Current deficit spending
- Reliability and consistency of expense projections
- End of PHE eligibility redeterminations beginning in FY23
  - Funding based on eligibility expected to decrease
  - Demand for services expected to remain the same
  - Uncertainty regarding MDHHS rate adjustment
- Expected FY24 rate reductions
  - 2.5% decrease based on FY21 utilization
  - Continuation of PHE eligibility redeterminations
- Legal
  - MDHHS may appeal Declaratory Action
  - Network180 and Muskegon County lawsuits





#### **Redetermination Revenue Impact**

- Eligibility redeterminations begin June 2023, expected to continue through May 2024
- Capitation revenue expected to decrease based on eligibility
  - Projected month-over-month eligibility changes
    - Medicaid (DAB -1%, TANF -2.5%)
    - Healthy Michigan -5%
- FY23 Revenue projected to decrease \$3.15 million
  - \$5.9 million projected decrease due to eligibility
  - \$2.75 million projected DCW rate increase
- MDHHS plans to adjust FY23 rates in September to account for changes in eligibility
  - Amount and effective period to be determined

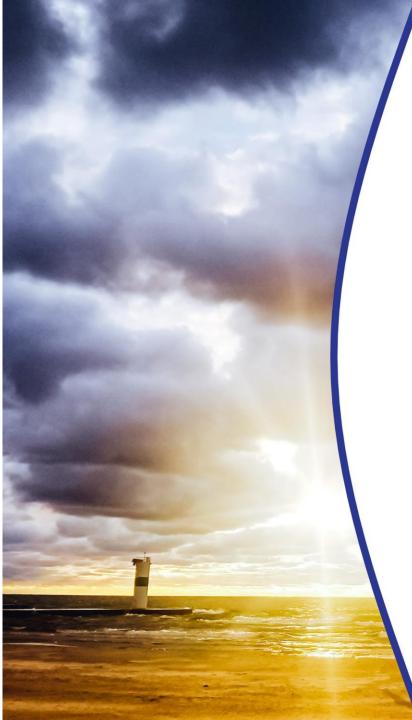




#### **Risk Management Strategies**

- Wakely risk reserve analysis to include FY22 data
- Retain FY23 incentives until reserves are fully funded
- Review FY22 compliance audits
- Understand MDHHS FY23 and FY24 rate adjustments and timeline
- LRE requested 25 additional HSW slots from MDHHS





## Repayment Options\*

- 1. Pre-determined payments over multiple years, if the region maintains a surplus and CMH manages spending within PMPM allocation
- 2. Significantly deplete reserves to pay out lump sums
- 3. Mediation
- 4. No repayment

\*All options contingent upon active litigation

LRE management does not currently have a recommendation due to the unknowns



# Questions?

