

**CEO Report**  
**August 23, 2023**

Hello and good afternoon, it is a Great Day to be a part of the Lakeshore Regional Entity!

**PIHP/REGIONAL Update**

1. **LRE Updates**

- I would like to thank the LRE leadership and staff for managing the tasks at the LRE while I took a vacation.
- The most recent BH-TEDS report shows that the LRE continues to meet benchmarks. This is important as it impacts our regional rates.
- I would like to give a shout out to the Quality Department led by Wendi Price for the recent success of the Performance Improvement Plan submission to Health Services Advisory Group (HSAG). The LRE received validation of the PIP with 100% compliance on all elements in the validation process.

2. **Regional Updates**

- **Historical Deficit Update**  
The LRE BOD approved an amendment to Motion 23-23 last month. This amendment allows the CMHs to set up a restricted account for the LRE to pay the final 20% of the historical deficit.  
*Update:* Agreements have been sent out to the three CMHs that this applies to and the LRE is waiting for the agreements to be signed and the account information to be provided to the LRE to complete this step of the motion.

HW and Network 180 continue to have pending litigation against the LRE as of present date.

- **Funding Revenue Streams/HAB Waiver Slot/Behavioral Health Homes/Opioid Health Homes**
  - **HAB Waiver** – During weekly meetings with MDHHS there has been ongoing discussion about the allocation of HSW slots. Region 3 has historically been under the state average number of slots although we consistently utilize every slot and have a need for more. LRE has requested 269 additional waiver slots which will bring us up to the state average. Mr. Wieferrich has agreed to review this request internally and stated that this is a good opportunity because the state is re-evaluating the waiver slots because their 372 report is being completed for CMS.

**Update:** LRE has sent a follow-up communication to MDHHS regarding this matter as it is 6 weeks from FY24. The additional slots will not go into effect until October but knowing ahead of time if LRE is granted the additional waiver slots will help in the preparation of filling those slots.

- Behavioral Health Homes (BHH)/Opioid Health Homes (OHH) – LRE met with the state about BHH/OHH. The state had originally stated that LRE did not qualify based on how we are set up because they are supposed to be run at the PIHP. LRE met with Lindsey Naeyaert and explained that these are already being run through the CMHs and CCBHC. Lindsey stated that she is going to try to revise what was submitted to CMS or to get a waiver to move forward. This will add additional revenue to the region for the people that are already being served in the CCBHC. As part of the process the LRE agreed to review the handbooks for OHH and BHH and made notations for MDHHS to identify areas that are conflictual between the CCBHC and the OHH/BHH programs.  
**Update:** MDHHS has reviewed the feedback submitted by LRE and provided information back to the LRE, and the LRE is working through the information now. The LRE is planning an internal discussion and then will ask to meet with MDHHS again. The individual is presently on leave until November so the meeting will take place upon her return.
- FY 20 Financial Audit –
  - On July 17th, 2023, LRE received communication from MDHHS regarding findings from the review of the FY20 Compliance Audit. MDHHS stated, “Lakeshore Regional Entity is not in compliance with FSR instructions. The examination adjustments were made to the Lakeshore Regional Entity’s FSR to bring the FSR in accordance with the reporting instructions. The examination adjustments that were made to Lakeshore Regional Entity’s FSR were the result of adjustments made to participant CMHSPs’ examined FSRs.” LRE is working with RPC regarding this and will then work with MDHHS to come into compliance with their expectations. The letter is attached to this report.
- FY21 and FY22 Finance Audits –
  - FY21 and FY22 Compliance Exams are wrapping up while the Single Audit will begin this week as well. The goal is to have the FY21 and FY22 Compliance Audits (specific to the PIHP/CMHSP system related to

contracts with the State) and the Single Audit (specifically required for federal funding) with reports concluded by the June 22 deadline.

Last month the update was that RPC could not complete FY 21 or FY 22 audits without MDHHS approving or rejecting the revised FSRs that were submitted in March 2022 for FY 18-20. The LRE has been in contact with MDHHS regarding this matter as well as having communicated this to the Office of Auditing and Review. LRE legal is aware of this. Regarding the \$200,000 penalty for late submission of the FY21 compliance audit, the ALJ entered an order that officially extends the deadline for the LRE legal to respond to the motion. The intent is to give the state a couple weeks to try to wrap up the review of the revised FSRs to allow the LRE the ability to complete the FY21 and FY22 audits and submit to MDHHS. The LRE received an extension for the FY22 Compliance Examination submission until July 31, 2023, to assist in getting the FY18-20 FSRs approved or denied.

**Update:** The LRE received communication through LRE legal and the Attorney General that the revised FY18-20 FSRs were rejected. The LRE has requested an explanation for the rejections and will be working with RPC regarding completion of the FY21 and FY22 compliance audits. The FSRs were revised to show a negative ISF balance which is allowable by GASB 10 accounting principle. The revisions were to make the FSRs more accurate and reflect the negative ISF balance during FY18 and FY19. MDHHS gave LRE 7 days to resubmit the information and if that was completed the \$200 thousand sanction would be waived. The LRE legal has informed the state that we will be unable to make that deadline.

LRE is continuing to work towards a resolution of all the compliance audits.

- Network180 (N180) Additional Funding Request
  - Network180 submitted a formal request to LRE for additional funding above their PMPM. The request was an additional \$2.2 million for FY23 and an additional \$25 million for FY24. The Operations Council voted unanimously to table the FY23 request until September and deny the FY24 request. The decision was based on the unavailability of funds, the FY24 rates being unknown, and the balance of the ISF is unknown at present time due to MDHHS denying the FY18-20 revised FSR without clear explanation. There is no denial that N180's request is based on need. The overall belief is that there is a regional need that would cost closer to \$50 million to address.

- Wakely Update
  - LRE will be wrapping up the work with Wakely over the next few months. The contract has been extended to 9/30/2023 to continue working on a regional rate analysis and the ISF analysis. Wakely will present the information to the Board when it is complete.  
*Update:* Two meetings took place with Wakely, LRE and Member CMH directors and finance staff. Wakely will be presenting during the August Work Session prior to the Board meeting.
  
- FY 24 Draft Rates
  - The LRE will receive a 2.5% revenue reduction as the 2<sup>nd</sup> year of the 5% revenue cut across FY23 and FY24.  
*Update:* Milliman and MDHHS have a meeting scheduled for 8/23/2023 to discuss rates.

### **STATE OF MICHIGAN/STATEWIDE ACTIVITIES**

MDHHS is scheduling meetings with each PIHP. The first meeting with LRE will be virtual and is scheduled for September 18<sup>th</sup>, 2023, to discuss provider network concerns, barriers, and trends. The second meeting described as a “meet and greet” is in person at LRE offices and scheduled for October 16<sup>th</sup>.

### **OTHER**

#### 3. **Board Works Videos Available Online:**

The CMHA BoardWorks program was developed to assist Board members in fulfilling their obligations as CMH leaders, directors of policy, and advocates for those they serve. Traditionally, these modules have been offered at conferences and through DVDs. CMHA now offers updated modules available for viewing on our website. The following BoardWorks modules are currently available with more to come! Click [here](#) to view.

- Foundations – Intended Beneficiary Command
- Foundations – Public Policy
- Management – Systems
- Current and Future Funding for CMHSPs and PIHPs (formerly Budgets)
- Leadership – Participatory Governance and Ethical Implications (formerly Character)

4. **WALK-A-MILE**

The “Walk a Mile in My Shoes” in person rally information packet is now available at the link below.

<https://cmham.org/education-events/walk-a-mile-rally/>



Report by Mary Marlatt-Dumas, CEO, Lakeshore Regional Entity



STATE OF MICHIGAN

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LANSING

GRETCHEN WHITMER  
GOVERNOR

ELIZABETH HERTEL  
DIRECTOR

July 17, 2023

Ms. Mary Marlatt-Dumas, Chief Executive Officer  
Lakeshore Regional Entity  
5000 Hakes Drives #500  
Norton Shores, Michigan 49441

Subject: Fiscal Year End 2020 PIHP Compliance Examination

Dear Ms. Marlatt-Dumas:

The Michigan Department of Health and Human Services (MDHHS) has completed its review of the Lakeshore Regional Entity Compliance Examination Report for the fiscal year ended September 30, 2020. MDHHS's management decision for the comment (2020-01) is summarized below.

**2020-01 Financial Status Report (FSR) Examination Adjustments (REPEAT)**

Lakeshore Regional Entity is not in compliance with FSR instructions. The examination adjustments were made to the Lakeshore Regional Entity's FSR to bring the FSR in accordance with the reporting instructions. The examination adjustments that were made to Lakeshore Regional Entity's FSR were the result of adjustments made to participant CMHSPs' examined FSRs.

Management's response indicates that management will reinforce the importance of timely and accurate submissions by its affiliates to allow for a more thorough review and will also implement additional reporting and review tools for finance staff to use as another means to ensure Financial Status Reports are accurate before submission to MDHHS.

*Management Decision*

The issue is valid and supported by the criteria stated. The corrective actions listed in the Compliance Examination Report would be adequate to resolve the issue. MDHHS will review the subsequent Compliance Examination Report to confirm resolution.

**Reporting Observations**

Examined Medicaid Contract Settlement Worksheet

Our review of the Medicaid Contract Settlement Worksheet showed that the Medicaid amount reported on Line 1.a (\$249,222,160) does not agree with MDHHS records. MDHHS records indicate a Medicaid amount of \$250,027,597, a \$805,437 variance.

Ms. Mary Marlatt-Dumas, Chief Executive Officer  
Lakeshore Regional Entity  
Page 2  
July 17, 2023

Examined Medicaid Contract Settlement Worksheet

Our review of the Medicaid Contract Settlement Worksheet showed that the Healthy Michigan Plan amount reported on Line 1.a (\$35,732,859) does not agree with MDHHS records. MDHHS records indicate a Healthy Michigan Plan amount of \$35,991,403, a \$258,544 variance.

Examined Medicaid Contract Settlement Worksheet

Our review of the Medicaid Contract Settlement Worksheet showed that the Children's Waiver amount reported on Line 1.a (\$1,629,718) does not agree with MDHHS records. MDHHS records indicate a Children's Waiver amount of \$1,603,858, a \$25,860 variance.

Examined Medicaid Contract Settlement Worksheet

Our review of the Medicaid Contract Settlement Worksheet showed that the Serious Emotional Disturbance Waiver (SED) amount reported on Line 1.a (\$1,035,316) does not agree with MDHHS records. MDHHS records indicate a SED amount of \$1,035,159, a \$157 variance.

Examined Medicaid Contract Settlement Worksheet

Our review of the Medicaid Contract Settlement Worksheet showed that the Habilitation Supports Waiver (HSW) amount reported on Line 1.a (\$35,577,141) does not agree with MDHHS records. MDHHS records indicate a HSW amount of \$35,537,594, a \$39,547 variance.

Examined Medicaid Contract Settlement Worksheet

Our review of the Medicaid Contract Settlement Worksheet showed that the Total Current Fiscal Year Performance Bonus Incentive Pool Withheld (PBIP) amount reported on Line 1.j (\$2,332,145) does not agree with MDHHS records. MDHHS records indicate a PBIP amount of \$2,419,516, a \$87,371 variance.

Examined Restricted Fund Balance Activity Worksheet

Our review of the Restricted Fund Balance Activity Worksheet showed that the Restricted Fund Balance at the beginning of the fiscal year reported on Line 1. a (\$8,330,861) does not agree with MDHHS records. MDHHS records indicate an ending balance of the prior fiscal year of \$8,326,222, a \$4,639 variance.

If the agency disagrees with the MDHHS management decision, the agency must use the appeal process specified in Attachment P39.0.1.1 of the agency's contract with MDHHS. If disputing, the agency must submit a request for the Medicaid Provider Reviews and Hearings Process pursuant to MCL 400.1 et seq. and MAC R 400.3402, et seq. within 30 days of the receipt of this management decision. Requests must identify the specific issue(s) under dispute and explain the reason(s) for the disagreement. The request must also include any substantive documentary evidence to support the position. Requests

Ms. Mary Marlatt-Dumas, Chief Executive Officer  
Lakeshore Regional Entity  
Page 3  
July 17, 2023

must specifically identify whether the agency is seeking an internal conference or an administrative hearing. If the agency does not appeal this adverse action within 30 days of receipt of the management decision, this letter will constitute MDHHS's Final Determination Notice according to MAC R 400.3404.

A request for an internal conference must be sent within 30 days of receipt of this letter to:

MDHHS Appeals Section  
P.O. Box 30807  
Lansing, Michigan 48909

A request for an administrative hearing must be sent within 30 days of receipt of this letter to:

Michigan Administrative Hearing Systems  
Michigan Licensing and Regulatory Affairs  
P.O. Box 30763  
Lansing, Michigan 48909

This letter serves as your notification that your contractual obligation for a PIHP Compliance Examination has been fulfilled. MDHHS retains the right to conduct additional reviews of Lakeshore Regional Entity for this fiscal year. Additionally, MDHHS may review work papers of the CPA firm that performed your PIHP Compliance Examination.

If you have any questions, please contact me, or William Anderson at 517-335-0208 or [andersonw9@michigan.gov](mailto:andersonw9@michigan.gov).

Sincerely,



Timothy J. Kubu, CIA, CISA  
Manager, Audit and Review Section  
MDHHS – Bureau of Audit

- c: Jackie Sproat, MDHHS, Division of Contracts and Quality Management
- June White, MDHHS, Division of Contracts and Quality Management
- Amanda Zabor, MDHHS, Division of Contracts and Quality Management
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