

CEO Report
July 26, 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**

- Resignation of Interim Board Chair/Vice Chair
Linda Garzelloni (appointed from HW) resigned on July 19, 2023. This is a loss for the LRE Board of Directors. We wish Linda well in her future endeavors.
- Director's Forum was held last week with several initiatives and topics presented to the CMH/PIHP CEO/Directors.
- LRE CEO Evaluation Process
Mr. Bill Riley is working with the LRE Executive Committee to update the CEO evaluation process to be more streamlined. A draft will be brought to the full Board for review when it is complete.

Update: The Executive Committee has recommended to be reviewed and approved by LRE Board of Directors, the updated evaluation tool and process and the 2023 CEO evaluation goals at the July meeting.

2. **Regional Updates**

- Historical Deficit Update
Honorable Judge Shapiro ruled on the Declaratory Action. The ruling states that the LRE is allowed to use its Internal Service Fund, MA Savings, or current year revenue to pay historical deficits. LRE leadership, CMH leadership and the LRE Board of Directors Executive Committee have established weekly meetings to evaluate scenarios of how funding can be disbursed to address the historical deficit.

LRE legal received communication back from the State's Attorney General's Office and that they do not feel that Attachment B in the Judge's ruling was part of the settlement previously completed with the LRE regarding the Sanctions being lifted, and the Risk Management Strategy that was approved in 2022. Therefore, they have no intent on paying the portion that the judgement states they are responsible for in the historical deficit. The LRE BOD will need to

determine if it desires to pursue this avenue. LRE Legal advised the LRE BOD during the June Board meeting of their options.

Following Motion 23-23, the cost settlement process was completed on May 31, 2023. Payments for 80% of the totals were issued to the CMHs on June 6th (4 business days following the LRE receiving the signed cost settlement letters). On June 4th, the LRE issued the addendum to the master contract with the language mirroring Motion 23-23 that was drafted by LRE legal to assure that all parties were understanding the conditions around the remaining 20%. At present time, LRE has not received any signed addendums from the CMHs and no escrow information has been provided to the LRE to make the final payment. Network 180 has provided their own addendum to the LRE that details their interpretation to Motion 23-23, however the language they have added does not align with Motion 23-23. LRE legal is working with Network 180 legal regarding this matter.

Update: The LRE has recommended to the LRE BOD that Motion 23-23 be amended to allow the CMHs to hold the 20% in a restricted account instead of a third part escrow company. This will keep more money with the CMH rather than spending money on a third-party escrow company.

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 continues to wait for MDHHS' decision regarding re-distribution of HSW 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.

Update: As part of the process the LRE has agreed to review the handbooks for OHH and BHH and make notations for MDHHS to identify areas that are conflictual between the CCBHC and the OHH/BHH programs. This has been completed and submitted to MDHHS with LRE feedback.

- **FY 20 Financial Audit –**

On July 17th, 2023, LRE received communication from MDHHS regarding findings from the review of the FY20 Compliance Audit. The letter states that “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 MDHHS expectations. The letter is attached to this report.

- **FY 21 and FY 22 Finance Audits –**

FY21 and FY22 Compliance Exams are wrapping up while the Single Audit will begin this week. 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 in order to allow the LRE the ability to complete the FY 21 and FY 22 audits and submit to

MDHHS. LRE received an extension for the FY 22 Compliance Examination submission until July 31, 2023 to assist in getting the FY 18-20 FSRs approved or denied.

Update: The LRE received communication through LRE legal and the Attorney General that the FY18-20 FSRs that were revised were rejected. The LRE has requested an explanation of the reason for the rejections and will be working with RPC regarding completion of the FY21 and FY22 compliance audits. The FSRs were revised due to GAAP (Generally Accepted Accounting Principles) allowing for the ISF to be negative. The revisions were to make the FSRs more accurate and reflect the negative ISF balance in FY18 and FY19. The State gave us 7 days to resubmit the information and if that was done the \$200 thousand sanction would be waived. LRE legal has informed the state that we will be unable to turn that around that quickly.

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

- **LRE FY23 SUD Review**
LRE received a letter from MDHHS citing no exceptions on the FY2023 review pertaining to programs under Substance Use, Gambling and Epidemiology. This means that the LRE passed this review with no issues. The letter is attached to the end of this report.
- **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 are scheduled for August with LRE leadership, CMHSP Directors and Financial staff to review the work Wakely has completed. The first meeting will be for Wakely to present the information. The presentation will include factors that impact the LRE rates, as well as an analysis of the ISF. The intent is to have Wakely present to the LRE BOD in August, unless something unforeseen comes up.
- **Medicaid Enrollment and the Public Health Emergency Unwind**
The LRE has been conducting analysis on the decline in MC enrollment. It is important to state that this information is an educated guess with some areas that we do not have answers on. The BOD will continue to get updates monthly as we

know more. The areas that impact our ability to project include: unclear what percentage of the general Medicaid population will be disenrolled, what type of a rate adjustment will there be if any to offset the decrease in enrollments, change in Direct Care Wage process, and the reduction in the 2024 Region 3 rates (2 year rate cycle and 2024 will be year two of the overall 5%, which is 2.5% each year).

Update: CMS allowed MDHHS to some flexibility regarding the first month's deadline for the re-enrollment process. The reason the extension was given was the percentage of individuals that should have been auto enrolled was substantially lower than MDHHS predicted.

- **FY 24 Draft Rates**
Milliman and MDHHS recently presented draft FY24 rates to the PIHPs. The initial analysis reflects a reduction to the capitated rates by 1.5% for those PIHPs that have a CCBHC within the region. The LRE will also have a 2.5% reduction as the 2nd year of the 5% cut across FY23 and FY24.

STATE OF MICHIGAN/STATEWIDE ACTIVITIES

3. Conflict Free Access and Planning (CFA&P)

CFA&P is a federal requirement that is designed to protect beneficiary choice in the behavioral health service delivery. MDHHS convened a workgroup that began working on this beginning in January 2022. The workgroup is led by TBD solutions in partnership with MDHHS. The announcement, in March 2023, to the MDHHS Conflict-Free Access and Planning Workgroup, of the CFA&P options proposed by MDHHS to ensure compliance with the Federal CFA&P requirements, were met with deep concern by the representatives of the state's Community Mental Health Services Programs (CMHSPs) and Medicaid Prepaid Inpatient Health Plans (PIHPs) – concerns that they expressed during this March meeting of the workgroup.

Many of the CMHSP and PIHP staff on that workgroup indicated, during the meeting and since, that these models do not align with much of the workgroup's past discussions nor draw from the concepts and workable options proposed by the CMHSP and PIHP members of the workgroup. These workgroup members indicated that, throughout the life of the workgroup and again during this March 2023 discussion of these options, their views have not been heard and that the options that they have proposed to ensure Conflict-Free Access and Planning while building upon and strengthening Michigan's public mental health system were not seriously considered.

These members were surprised at the design options presented to MDHHS and expressed deep concerns regarding these options – seeing all of these options as violating the core roles, integrity, and definition of Michigan’s Community Mental Health System, as captured in statutes, regulation, and contract.

Additionally, the views of those persons served who participated in the CFA&P listening sessions, especially those around continuity of care, do not appear to be reflected in the options proposed by MDHHS.

The LRE completed an analysis of the four proposed models in comparison to the philosophical principles of the CCBHC. Generally, the implementation of any of the presented CFAP Options threatens to:

1. Undermine CCBHCs ability to comply with MDHHS-defined certification criteria requirements to provide nine comprehensive services.
2. Minimize or undo advances in expansion of the social safety net inherent in the CCBHC model’s financial incentive to serve anyone regardless of residency.
3. Restrict PIHP functionality and effectiveness to monitor, manage, and develop CCBHC Demonstration
4. Fragment care coordination responsibilities and disincentivize development of comprehensive infrastructure to share health information across treatment providers.
5. Diffuse responsibility for performance based on quality bonus payment measures identified by CMS/MDHHS.
6. Contradict the requirements for CCBHCs to establish formal arrangements with a Designated Collaborating Organization (DCO) to provide CCBHC services on the CCBHCs behalf.

Update: The LRE has sent the Board Resolutions Opposing Current CFA&P Models that was approved at the June 2023 Board of Directors meeting.

4. **MDHHS Jeff Wieferich Role Change**

Effective June 11, Mr. Wieferich, previous Director of Bureau of Specialty Behavioral Health Services within MDHHS moved to his new position as Senior Executive of the State Psychiatric Hospitals/Centers. Mr. Wieferich position has not been filled at present time.

Update: Kristen Jordan has been appointed as the replacement for Jeff Wieferich.

OTHER

5. **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)

6. **WALK-A-MILE**

September 13, 2023, more details to come as published.

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



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

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
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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
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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.

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
- Matt Blackburn, MDHHS, Contracts Payable
- Enika Whitmon, MDHHS, Contracts Payable
- Molly Rowell, MDHHS, Contracts Payable
- William Anderson, MDHHS, Audit and Review Section



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ELIZABETH HERTEL
DIRECTOR

July 17, 2023

Mary Marlatt-Dumas, CEO
Lakeshore Regional Entity
5000 Hakes Drive, Ste 250
Norton Shores, MI 49441

Dear Ms. Marlatt-Dumas:

Thank you for the cooperation extended to the Substance Use, Gambling and Epidemiology Section staff during the fiscal desk review process. The desk review, which included a review of your Fiscal Questionnaire, has been completed, as it pertains to programs under the Substance Use, Gambling and Epidemiology Section.

The objectives of the desk review were to evaluate responses to ensure that Lakeshore Regional Entity complied with applicable program standards and requirements, and if any reporting or funding revisions were necessary. This review noted no exceptions.

If you have any questions concerning the procedures or the results of our review, please contact Choua Gonzalez-Medina at GonzalezMedinaC@michigan.gov.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Belinda Hawks".

Belinda Hawks, Director
Adult Home & Community Based Services Division

BH/cg

c: Angela Smith-Butterwick
Choua Gonzalez-Medina
Stephanie VanDerKooi
Stacia Chick
Amanda Tarantowski