

Board of Directors Work Session Agenda
May 28, 2025, 11:00 AM
GVSU Muskegon Innovation Hub
200 Viridian Dr, Muskegon, MI 49440

1. Welcome and Opening Comments – Ms. Gardner
2. Public Comment
3. Finance Module 3 Presentation
4. Public Comment
5. Adjourn



Finance Training - Board Module 3

Financial Reporting

May 28, 2025

Maxine Coleman, Accounting Coordinator
Kenyetta Brewer, Financial Analyst



Financial Reporting Overview

- LRE Board Financial Reports
- Financial Status Reports (FSR)
 - Medicaid
 - Grants
- Budgeting Process
- Encounter Quality Initiative (EQI)
- Medical Loss Ratio (MLR)



LRE Board Financial Reports

- Chief Financial Officer Report
- Statement of Activities
- Legal Expense Report
- Cash Disbursements
- Combined Monthly FSR
- Budget



Chief Financial Officer Report

- Summarizes financial activity
- Regional (LRE, CMHSP)
 - Revenue Projections
 - Eligibility Trends by Population
 - Spending Plans/Budgets
 - Cash Flow Issues
 - Grants
- Statewide updates
 - Revenue (i.e. Rate Setting, Grants)
 - Contract
 - Combined PIHP CFO work
- Federal

Lakeshore Regional Entity Board Financial Officer Report for December 2024 12/18/2024

- **Disbursements Report** – A motion is requested to approve the November 2024 disbursements. A summary of those disbursements is included as an attachment.
- **Statement of Activities** – Report through October is included as an attachment.
- **LRE Combined Monthly FSR** – The October LRE Combined Monthly FSR Report is included as an attachment for this month's meeting. Expense projections, as reported by each CMHSP, are noted. An actual **surplus** through October of \$905 thousand, a projected annual **deficit** of \$2 million, and a budgeted **surplus** of \$1.3 million regionally (Medicaid and HMP, excluding CCBHC) is shown in this month's report. All CMHSPs have an actual **surplus** except Network180 who has a **deficit** of \$2 million. CMH of Ottawa County and West Michigan CMH are projecting to breakeven. HealthWest, Network180, and OnPoint have projected **deficits**. All CMHSPs have a budgeted **surplus or breakeven**, except OnPoint with a budgeted **deficit** of \$268 thousand.

CCBHC activity (excluding PIHP activity) is included in this month's report showing an actual **surplus** of \$932 thousand (excluding LRE activity), which is the responsibility of the CCBHCs and not the PIHP. A projected **surplus** of \$5.4 million and a budgeted **deficit** of \$2.2 million is shown.
- **Cash Flow Issues** – No CMHSP has reported cash flow issues in the last month.
- **FY 2022 MDHHS Cost Settlement** – Update will be provided by legal counsel.
- **FY 2025 Revenue Projections** – Updated revenue and membership projections by program and Member CMHSP are below. The FY25 November revenue projection increased \$310,066 from the FY25 October projections. This change was exclusive of CCHBC. There were subsequent updates made to CCBCH daily visits for Network 180 and minor updates for Ottawa. This CCBHC update resulted in a projected increase of \$2,624,507 for the region. So in total November Projections increase \$2,934,574. Most of this increase will be seen in the CCBHC funding buckets, especially CCBHC supplemental and will therefore be contingent on meeting daily visit projections.

Statement of Activities

- Used to monitor the region's budgeted activities
 - Operating Revenues
 - Budget – last approved budget by the LRE board
 - Budget to Date – ideal target for the reporting period
 - Actual – amounts received through the report “As of Date”
 - Actual to Budget Variance – “Actual” minus “Budget to Date”, indicating variances in meeting target
 - Expenditures
 - Budget – last approved budget by the LRE board
 - Budget to Date – ideal target for the reporting period
 - Actual – amounts paid out through the report “As of Date”
 - Actual to Budget Variance – “Actual” minus “Budget to Date”, indicating variances in meeting target
 - Total Change in Net Assets
 - Shows overall surplus or (deficit) in operating revenues received through the report “As of Date”
 - Footnotes - Disclaimers

	Year Ending 9/30/2025	1/31/2025		
Change in Net Assets	FY25 Budget Amendment 1	Budget to Date	Actual	Actual to Budget Variance
Operating Revenues				
Medicaid, HSW, SED, & Children's Waiver	282,568,553	94,189,518	93,795,246	(394,271)
DHS Incentive	471,247	157,082	-	(157,082)
Autism Revenue	51,999,100	17,333,033	18,257,171	924,138
Healthy Michigan	27,851,725	9,283,908	12,134,880	2,850,971
Performance Bonus Incentive	2,819,234	939,745	-	(939,745)
CCBHC Quality Bonus Incentive	1,745,775	581,925	-	(581,925)
Hospital Rate Adjuster (HRA)	18,820,061	6,273,354	-	(6,273,354)
Member Local Contribution to State Medicaid	1,007,548	335,849	335,849	(0)
Medicaid CCBHC Base Capitation	28,904,608	9,634,869	4,417,523	(5,217,346)
Healthy Michigan CCBHC Base Capitation	7,837,590	2,612,530	1,111,600	(1,500,930)
Medicaid CCBHC Supplemental Revenue	42,474,023	14,158,008	11,214,702	(2,943,306)
Healthy MI CCBHC Supplemental Revenue	12,735,147	4,245,049	5,453,213	1,208,164
MDHHS Grants	12,107,809	4,035,936	1,960,133	(2,075,803)
PA 2 Liquor Tax	4,449,350	1,483,117	196,043	(1,287,074)
Non-MDHHS Grants: DFC	126,951	42,317	44,080	1,763
Interest Earnings	1,354,059	451,353	417,164	(34,189)
Miscellaneous Revenue	5,500	1,833	-	(1,833)
Total Operating Revenues	497,278,280	165,759,427	149,337,605	(16,421,821)
Expenditures				
Salaries and Fringes	5,914,796	1,971,599	1,423,817	(547,782)
Office and Supplies Expense	259,081	86,360	70,991	(15,369)
Contractual and Consulting Expenses	861,171	287,057	170,774	(116,283)
Managed Care Information System (PCE) *	365,200	121,733	92,690	(29,043)
Legal Expense *	210,000	70,000	23,906	(46,094)
Utilities/Conferences/Mileage/Misc Exps	6,312,309	2,104,103	(58,231)	(2,162,334)
Grants - MDHHS & Non-MDHHS	670,864	223,621	215,890	(7,731)
Hospital Rate Adjuster / Taxes	22,540,168	7,513,389	1,228,042	(6,285,347)
Prevention Expenses - Grant & PA2	3,690,120	1,230,040	964,150	(265,890)
SUD Treatment Expenses - Grants	1,138,436	379,479	155,194	(224,285)
CCBHC Quality Bonus Incentive	1,745,775	581,925	-	(581,925)
Member Payments - Medicaid/HMP	349,352,581	116,450,860	121,137,872	4,687,011
Member Payments - CCBHC Capitation	36,742,198	12,247,399	5,529,123	(6,718,276)
Member Payments - CCBHC Supplemental	55,209,170	18,403,057	11,070,857	(7,332,200)
Member Payments - PA2 Treatment	2,923,039	974,346	280,296	(694,051)
Member Payments - Grants	8,335,824	2,778,608	2,029,765	(748,843)
Local Contribution to State Medicaid	1,007,548	335,849	335,849	(0)
Total Expenditures	497,278,280	165,759,427	144,670,984	(21,088,442)
Total Change in Net Assets	-	-	4,666,621	4,666,621

* The categories of Managed Care Information Systems (PCE) and Legal are Net of amounts applied to Grants

For internal use only. This report has not been audited, and no assurance is provided.

Statement of Activities *cont'd*

Budget to Actual Variance Report

Notes of explanation regarding significant variances from the target ("Budget to Date")

Statement of Activities Budget to Actual Variance Report For the Period ending January 31, 2025	
As of Date: 1/31/25	
Operating Revenues	
Medicaid/HSW/SED/CWP	N/A - Closely aligned with the current budget projections.
DHS Incentive	This revenue is received quarterly beginning in April.
Autism Revenue	Current projections reflect an increase. Will be monitored for future amendment.
Healthy Michigan	Current projections reflect an increase. Adjustments will be made during the next amendment.

Expenditures	
Salaries and Fringes	Some expenses in this category will occur later in the fiscal year.
Office and Supplies	Budget projections will be monitored for potential changes during the next amendment.
Contractual/Consulting	Some expenses are planned for later in the fiscal year.
Managed Care Info Sys	Some expenses are planned for later in the fiscal year.
Legal Expense	Under current projections. Expenses will be monitored for potential changes during the next amendment.
Utilities/Conf/Mileage/Misc	This line item includes the LRE's contingency fund and will be monitored for adjustments during the next amendment. Admin reallocation not yet completed for January.
Grants - MDHHS & Non-MDHHS	N/A - Closely aligned with the current budget projections.

Legal Expense Report

- Main Categories of legal expenses paid by the LRE since FY2022
 - ISF Lapse Litigation
 - Bylaws/Operating Agreement
 - CCBHC Support
 - Healthwest Litigation
 - Managed Care/MDHHS Contract
 - Network 180 Litigation
 - General/Other

LAKESHORE REGIONAL ENTITY LEGAL EXPENSES REPORT February 28, 2025		
12/31/2024	FY 2022 ISF LAPSE LITIGATION	4,717.50
1/31/2025	FY 2022 ISF LAPSE LITIGATION	714.00
	ISF LAPSE LITIGATION TOTAL	5,431.50
4/30/2022	BYLAWS/OPERATING AGREEMENT	5,700.00
7/28/2022	BYLAWS/OPERATING AGREEMENT	6,500.00
	BYLAWS/OPERATING AGREEMENT TOTAL	12,200.00
11/30/2021	CCHBC SUPPORT	812.50
	CCHBC SUPPORT TOTAL	812.50
2/11/2022	GENERAL/OTHER	325.00
1/16/2023	GENERAL/OTHER	10,000.00

Cash Disbursements

- Summary of all payments made by the LRE during the referenced month.
 - CMHSP Payments
 - SUD Prevention Related Expenses (managed by the LRE) – includes vendors, providers, etc.
 - SUD Public Act 2 (PA2)
 - Administrative Expenses
 - Local Match Payment
 - Hospital Reimbursement Adjuster (HRA)
 - Michigan IPA Tax - Quarterly

* Percentage of disbursements paid:

To Members (CMHSPs)

For SUD Prevention Services

Affirmation stating disbursements are for amounts previously appropriated.

BOARD ACTION REQUEST

Subject: February 2025 Disbursements

Meeting Date: March 26, 2025

RECOMMENDED MOTION:

To approve the February 2025 disbursements of \$40,211,127.96 as presented.

SUMMARY OF REQUEST/INFORMATION:

<u>Disbursements:</u>	
Allegan County CMH	\$3,475,141.22
Healthwest	\$8,358,843.64
Network 180	\$17,521,322.50
Ottawa County CMH	\$5,003,633.80
West Michigan CMH	\$2,758,039.16
SUD Prevention Expenses	\$637,421.80
SUD Public Act 2 (PA2)	\$1,954,561.73
Administrative Expenses	\$502,164.11
Total:	\$40,211,127.96

93.89% of Disbursements were paid to Members and SUD Prevention Services.

I affirm that all payments identified in the monthly summary above are for previously appropriated amounts.

STAFF: Stacia Chick

DATE: 3/18/2025



Financial Status Reports (FSR)

- MDHHS Medicaid FSR Bundle
 - CMHSPs and PIHPs required to complete FSR bundles throughout the year
 - All reports cover the same October – September period
 - Includes revenue and expenses for all fund sources
 - Shows surplus or deficit
- MDHHS Grant FSR
 - FSR required for MDHHS reimbursements
 - Due monthly or quarterly
- Non-MDHHS Direct Grant FSR
 - Federal grant drawdown requested, when needed
- LRE Combined Monthly FSR

MDHHS Medicaid FSR Bundle

MDHHS/PIHP MEDICAID MANAGED SPECIALTY SUPPORTS AND SERVICES CONCURRENT WAIVER PROGRAMS CONTRACT FINANCIAL STATUS REPORT - Healthy Michigan page 1

PIHP:		LAKESHORE REGIONAL ENTITY		YEAR TO DATE REPORTING								
		FISCAL YEAR:	FY 23 / 24	A	B	C	D	E	F	G	H	I
		SUBMISSION TYPE:	YE Final	Regional Authority / Reporting Board	CMHSP							PIHP Grand Total page 1 & 2
		SUBMISSION DATE:	2/28/2025		# 1	# 2	# 3	# 4	# 5	# 6	# 7	
1		PIHP or CMHSP		LRE	Allegan	Healthwest	N180	Ottawa	West Mich	-	-	
AI		HEALTHY MICHIGAN SERVICES - PIHP USE ONLY										
AI	100	REVENUE										
AI	101	Healthy Michigan Plan		39,242,600								39,242,600
AI	102	CCBHC Healthy Michigan Plan		(6,239,521)								(6,239,521)
AI	103	CCBHC Healthy Michigan Plan Admin Revenue		269,847								269,847
AI	115	Healthy Michigan Managed Care - Affiliate Contracts		(40,483,050)	2,631,279	8,460,208	21,874,202	5,639,272	1,878,089			-
AI	120	Subtotal - Current Period Healthy Michigan Services Revenue		(7,210,124)	2,631,279	8,460,208	21,874,202	5,639,272	1,878,089	-	-	33,272,926
AI	121	1st & 3rd Party Collections - HMP Consumers - Rptng Bd										-
AI	122	1st & 3rd Party Collections - HMP Consumers - Affiliate			-	-	98	9,573	-			9,671
AI	123	Prior Year Healthy MI Plan Savings (Funding Current Year Expenses)		16,045,220								16,045,220
AI	124	ISF Abatement HMP		-								-
AI	125	Psych Hospital Rate Adjuster (HRA)		8,489,056								8,489,056
AI	140	Subtotal - Other Healthy Michigan Revenue		24,534,276	-	-	98	9,573	-	-	-	24,543,947
AI	190	TOTAL REVENUE		17,324,152	2,631,279	8,460,208	21,874,300	5,648,845	1,878,089	-	-	57,816,873
AI	200	EXPENDITURE										
AI	201	PIHP Insurance Provider Assessment (IPA) Tax Healthy Michigan Plan		1,269,873								1,269,873
AI	202	Healthy Michigan Plan Services		946,934	2,631,279	8,460,208	21,981,256	5,881,645	1,878,089			41,779,411
AI	203	Payment into Healthy Michigan Plan ISF										-
AI	204	Psych Hospital Rate Adjuster (HRA)		8,489,056								8,489,056
AI	290	TOTAL EXPENDITURE		10,705,863	2,631,279	8,460,208	21,981,256	5,881,645	1,878,089	-	-	51,538,340
AI	295	SUBTOTAL NET HEALTHY MICHIGAN SERVICES SURPLUS (DEFICIT)		6,618,289	-	-	(106,956)	(232,800)	-	-	-	6,278,533



LRE Combined Monthly FSR

- Regional revenue and expense monitoring for Medicaid program services. Utilized to identify financial trends and potential budgetary concerns.
- 5 CMHSP reports, LRE Administration - combined into one
 - Actual – Medicaid funding received (“Total Distributed Medicaid/HMP Revenue”) through the “Reporting Date” compared to Medicaid payments made (“Total Capitated Expense”)
 - Actual Surplus/(Deficit) – Medicaid received minus Medicaid expenses paid
 - Explanations required for a surplus of 5% or a deficit of 1%
 - Projection – Annual Medicaid revenue projected (“Total Projected Medicaid/HMP Revenue”) compared to projected expenses for the year (“Total Capitated Expense Projections”)
 - Projected Surplus/(Deficit) – Annual revenue projected minus expenses projected for the year
 - Explanations required for a surplus of 5% or a deficit of 1%
 - Spending Plan – Medicaid revenue budgeted (“Total Budgeted Medicaid/HMP Revenue”) compared to budgeted expenses (“Total Budgeted Capitated Expense”)
 - Actual Surplus/(Deficit)
 - Explanations required for a surplus of 5% or a deficit of 1%

LRE Combined Monthly FSR *cont'd*

Lakeshore Regional Entity Combined Monthly FSR Summary

FY 2025

November 2024 Reporting Month

Reporting Date: 1/13/25

ACTUAL:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Total Distributed Medicaid/HMP Revenue	11,522,087	28,876,741	5,010,106	8,370,987	3,489,136	921,717	58,190,775
Total Capitated Expense	9,053,965	31,687,028	5,011,474	8,294,828	3,268,728	921,717	58,237,740
Actual Surplus (Deficit)	2,468,122	(2,810,287)	(1,368)	76,159	220,409	-	(46,965)
% Variance	21.42%	-9.73%	-0.03%	0.91%	6.32%	0.00%	
Information regarding Actual (Threshold: Surplus of 5% and deficit of 1%)	Expenses for FY25 are still catching up from year end delays. We anticipate this gap to continue to close.	Network180 is working to reduce expenditures for services in the provider network, through inpatient diversion and utilization management. However, actual service needs continue to grow. Additionally, revenue projections have started falling for this fiscal year already.	Less than threshold for explanation.	Less than threshold for explanation.	No variance explanation provided by WM.	Less than threshold for explanation.	
PROJECTION:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
LRE Revenue Projections as of: November Revised							
Total Projected Medicaid/HMP Revenue	70,628,797	172,239,564	29,525,794	51,399,314	21,380,312	13,922,556	359,096,338
Total Capitated Expense Projections	68,733,175	175,083,757	29,503,797	51,534,229	21,363,297	13,922,556	360,140,811
Projected Surplus (Deficit)	1,895,622	(2,844,193)	21,997	(134,915)	17,015	-	(1,044,473)
% Variance	2.68%	-1.65%	0.07%	-0.26%	0.08%	0.00%	
Information regarding Projections (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation.	Network180 is working to reduce expenditures for services in the provider network, through inpatient diversion and utilization management. However, actual service needs continue to grow. Additionally, revenue projections have started falling for this fiscal year already.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	
PROPOSED SPENDING PLAN:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Submitted to the LRE as of:	11/13/2024	11/15/2024	11/18/2024	11/19/2024	11/15/2024		
Total Budgeted Medicaid/HMP Revenue	70,516,979	172,798,914	29,463,833	51,455,956	21,363,297	13,922,556	359,521,535
Total Budgeted Capitated Expense	68,930,569	172,798,914	29,731,448	51,455,956	21,363,297	13,922,556	358,202,740
Budgeted Surplus (Deficit)	1,586,410	0	(267,615)	-	-	-	1,318,795
% Variance	2.25%	0.00%	-0.91%	0.00%	0.00%	0.00%	
Information regarding Spending Plans (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	
Variance between Projected and Proposed Spending Plan	309,213	(2,844,193)	289,612	(134,915)	17,015	-	(2,363,268)
% Variance	0.44%	-1.65%	0.98%	-0.26%	0.08%	0.00%	
Explanation of variances between Projected and Proposed Spending Plan (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation.	Network180 is experiencing increase demands in autism and specialized residential services beyond available revenue. Additionally, revenue projections have started falling for this fiscal year already.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	



LRE Combined Monthly FSR *cont'd*

Certified Community Behavioral Health Clinic (CCBHC) services

Regional revenue and expense monitoring. Actual, Projection, and Spending Plan

5 CMHSP reports, plus LRE Administration - combined into one

Lakeshore Regional Entity Combined Monthly FSR Summary
FY 2025

November 2024 Reporting Month

Reporting Date: 1/13/25

CCBHC ACTIVITY							
ACTUAL:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Distributed Medicaid/HMP CCBHC Revenue							
Total Distributed Medicaid/HMP CCBHC Revenue	4,215,583	4,716,534	1,404,519	1,176,684	2,110,130	190,363	13,810,082
Total CCBHC Expense	3,590,301	5,855,879	1,217,279	1,176,684	2,262,911	20,335	14,123,389
Actual CCBHC Surplus (Deficit)*	625,282	(1,139,346)	187,240	-	(152,781)	170,028	(313,307)
% Variance	14.83%	-24.16%	13.33%	0.00%	-7.24%	89.32%	
Information regarding CCBHC Actual (Threshold: Surplus of 5% and deficit of 1%)	Expenses for FY25 are still catching up from year end delays. We anticipate this gap to continue to close.	Network180 has seen increases in Daily Visits, but they are still not quite to projected levels. We expect this to stabilize over the course of the year.	Significant surplus is expected to be eliminated once OnPoint's PPS-1 rate is updated mid-year.	Less than threshold for explanation.	WM is planning for a shortfall in CCBHC based on the current PPS1 rates.	Surplus is used to cover PIHP administration on traditional capitation administration expenses.	
PROJECTION:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Total Projected Medicaid/HMP CCBHC Revenue	25,124,188	35,201,035	11,799,968	7,431,062	12,395,115	1,142,176	93,070,093
Total CCBHC Expense Projections	25,957,876	35,135,276	8,978,884	7,430,637	13,986,304	122,011	91,610,988
Projected CCBHC Surplus (Deficit)*	(833,688)	65,759	2,821,084	425	(1,591,189)	1,020,166	1,459,105
% Variance	-3.32%	0.19%	23.91%	0.01%	-12.84%	89.32%	
Information regarding CCBHC Projections (Threshold: Surplus of 5% and deficit of 1%)	HW continues to work on productivity standards and is monitoring expenses very closely. I anticipate this to decrease in the next few months.	Less than threshold for explanation.	Significant surplus is expected to be eliminated once OnPoint's PPS-1 rate is updated mid-year.	Less than threshold for explanation.	WM is planning for a shortfall in CCBHC based on the current PPS1 rates.	Surplus is used to cover PIHP administration on traditional capitation administration expenses.	
PROPOSED SPENDING PLAN:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Submitted to the LRE as of:	11/13/2024	11/15/2024	11/18/2024	11/19/2024	11/15/2024		
Total Budgeted Medicaid/HMP CCBHC Revenue	25,124,188	35,460,199	9,075,362	7,430,637	12,395,116	1,142,176	90,627,678
Total Budgeted CCBHC Expense	25,947,194	35,439,088	8,900,770	7,430,637	13,986,304	122,011	91,826,003
Budgeted Surplus (Deficit)*	(823,006)	21,111	174,592	-	(1,591,188)	1,020,166	(1,198,325)
% Variance	-3.28%	0.06%	1.92%	0.00%	-12.84%	89.32%	
Information regarding CCBHC Spending Plans (Threshold: Surplus of 5% and deficit of 1%)	Based on historical, HW planned a negative variance.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	WM is planning for a shortfall in CCBHC based on the current PPS1 rates.	Surplus is used to cover PIHP administration on traditional capitation administration expenses.	
Variance between CCBHC Projected and Proposed Spending Plan	(10,682)	44,648	2,646,492	425	(1)	-	2,657,430
% Variance	-0.04%	0.13%	29.16%	0.01%	0.00%	0.00%	
Explanation of variances between CCBHC Projected and Proposed Spending Plan (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation.	Less than threshold for explanation.	Significant surplus is expected to be eliminated once OnPoint's PPS-1 rate is updated mid-year.	Less than threshold for explanation.	Less than threshold for explanation.	Less than threshold for explanation.	

*CCBHC Surpluses are retained by the CCBHC and not the PIHP. CCBHC Deficits are the responsibility of the CCBHC and not the PIHP.

A silhouette of a lighthouse on a rocky shore at sunset. The sky is a mix of orange, pink, and purple, with the sun low on the horizon. The lighthouse is a tall, dark structure with a small light on top. The foreground shows the dark silhouette of the rocks and the lighthouse structure.

Budgeting Process

- Annual budget must be presented to the LRE Board of Directors for approval prior to the beginning of the fiscal year.
- Per Michigan legislation a public hearing on our proposed budget is required.
 - Notice of the hearing shall be by publication in newspapers of general circulation within our local area at least six (6) days before the hearing.
 - Must include time and place of the hearing and state the place where a copy of the budget is available for public inspection.
- Amendments to the budget must be prepared and presented to the Board for approval prior to expenditures being made and prior to year-end.

Budget

- Regional Operating Revenues
 - Prior Budget compared to Current Proposal
 - Net Increase/(Decrease) with Percentage Change
- Regional Operating Expenses
 - Prior Budget compared to Current Proposal
 - Net Increase/(Decrease) with Percentage Change

Proposed Statement of Revenues, Expenditures & Changes in Fund Balance Fiscal Year Ending 9/30/2025

	FY 2024/2025 Initial Budget	FY 2024/2025 Amendment 1 Budget	Increase / (Decrease)	Change %
Revenue				
Regional Operating Revenue				
Mental Health State Plan & 1915(i)	\$ 225,749,203	\$ 218,502,897	\$ (7,246,306)	-3.2%
Habilitation Supports Waiver (HSW)	51,729,665	52,113,196	383,531	0.7%
Children's Waiver	3,180,212	3,593,149	412,936	13.0%
SED Waiver	1,672,628	639,628	(1,033,000)	-61.8%
DHS Incentive Payment	471,247	471,247	-	0.0%
Autism Revenue	47,599,001	51,999,100	4,400,099	9.2%
Mental Health Healthy Michigan	17,311,272	16,986,744	(324,528)	-1.9%
Mental Health Block Grant - Veteran Navigator	110,000	124,825	14,825	13.5%
Block Grants - Hisp BH. Native Am. Tob.Clubhse.				



Encounter Quality Initiative (EQI)

- State-mandated report that includes service cost and utilization data by code and fund source
 - Service code and modifier
 - Direct-Run and Contracted service costs
 - Fee-for-Service and Non-Fee-for-Service (optional)
- CMHSPs and PIHPs complete EQI reports 3 times per year
- Should tie-out to other year-end reports, including the Medicaid FSR bundle
- EQI data and other factors impact capitation rates
- Working with CMHs to improve accuracy and timeliness of reporting



Medical Loss Ratio (MLR) Report

- In general, the MLR calculation is defined as the sum of incurred claims and quality improvement expenses divided by premium revenue that is reduced by taxes and regulatory fees. Additionally, a credibility adjustment is applied to this formula to account for random statistical variations related to the number of enrollees in a PIHP.
- All Medicaid managed care programs must calculate and report a MLR in accordance with 42 CFR 438.8, medical loss ratio standards.
- The MLR for PIHPs, as calculated and reported, must be used in the development of actuarially sound capitation rates.
 - Used to assess whether capitation rates are appropriately set by generally illustrating how these funds are spent on claims and quality improvement activities as compared to administrative expenses, demonstrating that adequate amounts under the capitation payments are spent on services for enrollees.
- Per the Centers for Medicare & Medicaid Services (CMS), MLR reporting standards result in responsible fiscal stewardship of total Medicaid expenditures, ensuring that states have insight and understanding into how capitation payments made for enrollees in managed care programs are being expended.
- States are not required to collect capitation rate refunds when PIHP MLRs are below a minimum requirement. States are given flexibility to determine the minimum MLR requirement, as long as the minimum MLR percentage is at least as high as the CMS guidelines of 85%. Contract between MDHHS and the PIHPs does not include a remittance amount for the SFY 2024 contract if the MLR is below 85%.

$$\text{MLR Formula} = \frac{\text{Incurred Claims} + \text{Quality Improvement}}{\text{Premium Revenue} - \text{Taxes and Fees}} + \text{Credibility Adjustment}$$

Medical Loss Ratio (MLR) Report *cont'd*

State of Michigan, Department of Health and Human Services

MLR Report for State Fiscal Year 2023

Medicaid MLR Detailed Calculation for Lakeshore Regional Entity

Incurred Period:

October 1, 2022 - Si

Paid Through Date:

January 31, 2024

$$MLR Formula = \frac{Incurred Claims + Quality Improvement}{Premium Revenue - Taxes and Fees} + Credibility Adjustment$$

MLR Calculation

1. Numerator	Formula	Specialty Services and Supports Waiver	Healthy Michigan Plan	Total Behavioral Health
1.11 Total Incurred Claims		\$ 321,227,483	\$ 49,599,690	\$ 370,827,174
2.2 a -2.2 g Total Quality Improvement		\$ 2,483,747	\$ 400,412	\$ 2,884,159
Total Numerator	[Incurred Claims + Quality Improvement + Fraud Prevention Activities]	\$ 323,711,230	\$ 50,000,103	\$ 373,711,333

2. Denominator	Formula	Specialty Services and Supports Waiver	Healthy Michigan Plan	Total Behavioral Health
3.9 Total Premium Revenue		\$ 344,639,354	\$ 62,171,183	\$ 406,810,537
4.5 Total Taxes and Fees		\$ 3,496,318	\$ 1,489,114	\$ 4,985,431
Total Denominator	[Premiums - Taxes and Fees]	\$ 341,143,037	\$ 60,682,069	\$ 401,825,106

3. Credibility Adjustment	Formula	Specialty Services and Supports Waiver	Healthy Michigan Plan	Total Behavioral Health
5.1 Member Months		2,923,665	1,240,928	4,164,593
Credibility		Fully Credible	Fully Credible	Fully Credible
Credibility Adjustment	[Data Collection: Line 5.2]	0.00%	0.00%	0.00%

4. MLR Calculation	Formula	Specialty Services and Supports Waiver	Healthy Michigan Plan	Total Behavioral Health
Unadjusted MLR	[Total Numerator / Total Denominator]	94.89%	82.40%	93.00%
Credibility Adjustment		0.00%	0.00%	0.00%
Adjusted MLR	[Unadjusted MLR + Credibility Adjustment]	94.89%	82.40%	93.00%



Financial Audits

- Financial status view at a point in time
- Series of procedures followed to test selected financial transactions and internal controls
- Provides opinion on fairness of presentation of financial statement
- Certified Public Accountant (CPA) uses established basis for judging how effectively records were kept and the degree of reliance that can be placed on internal controls
- Financial Audit Reports are due to the Michigan Department of Treasury six months after fiscal year end



Compliance Examination

- Conducted annually by external CPA firms
- Measures compliance with contractual requirements (FSR reporting, regulations, policies, etc.)
 - Schedule of Findings (i.e. control deficiencies, noncompliance with contract provisions, required FSR corrections, etc.)
- Required in MDHHS Medicaid Contracts with PIHPs and CMHSPs
- Auditors must follow published Compliance Examination Guidelines
- Compliance Examinations are due to MDHHS June 30



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