

CEO Report
December 15, 2022

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

1. SB 597 & 598

In the early hours of December 8, the Michigan Senate and House of Representatives concluded legislative business for the year with NO MOVEMENT on SBs 597 & 598 or any version of that language being included in another bill. The last day of session mostly consisted of farewell speeches and finalizing non-controversial items. Although there was some activity around a possible supplemental appropriations measure, ultimately no agreement was reached to move forward prior to adjournment.

Under the Michigan Constitution, adjournment for the legislative session must be at noon on a day set by concurrent resolution. The House and Senate have both scheduled session for Wednesday, December 28, at which point both chambers will adjourn sine die, concluding the 2021-2022 Legislative Session.

2. Historical Deficit

The Dec Action is moving forward. All documents have been filed with the Court of Claims. A summons disposition is scheduled for January 23, 2023.

3. Mediation with Network180

Both parties have agreed on a mediator. The initial orientation with the mediator was scheduled for 12/6/2022, however on the morning of Network180 Board Member Stan Stek notified me that Network180 wanted to postpone the mediation. Mr. Stek stated that since mediation is voluntary and that there is a possibility to work together on resolution of the deficit that pushing it back a few weeks would not be detrimental. My recommendation was to move forward as there are still communication challenges that need to be worked out but agreed to postpone the mediation.

4. Rate Analysis Request from MDHHS

The LRE team has been meeting weekly internally as well as with our CMHSP partners regarding the MDHHS rate analysis request. The CMH's submitted what the LRE asked for, however upon further evaluation of the finance/rate section the team had more questions for each CMH based on their submissions. Finance staff reached out to the CMHs for the additional data with a submission deadline of Friday (12/9/2022). The internal group met again on Friday to further review and discuss next steps.

LRE is confident that a robust analysis of the CMH's policies and procedures, with our recommendations to MDHHS, will be submitted by the deadline of 12/15/ 2022. However, LRE requested additional time to complete the rate analysis. MDHHS has granted the

requested extension until January 15th. This will allow LRE to complete a very thorough analysis and make recommendations based on the analysis.

5. FY 21 Finance Audit – Letter from MDHHS

On 12/12/2022, LRE received a letter from MDHHS regarding non-compliance with fiscal year end 2021 PIHP Financial Statement Audit and Compliance Examination. It was due on 6/30/2022.

I have been in communication with Jeff Wieferich, Director, Bureau of Specialty Behavioral Health Services regarding this matter. On 11/30/2022 I sent him an email with the root cause analysis of why the audit was delayed. The RCA included the following areas:

- We experienced issues with our trial balance due to a software update. This has since been resolved.
- There was also miscommunication with our auditors on which version of the trial balance they were using, and we were having difficulty reconciling with them.
- We also encountered difficulty reconciling with our CMHSP members, which has been an issue for the LRE for many years. We believe this has now been resolved.
- We also had a lack of staffing. Staff have now been hired and are being trained.
- Due to the delay in the audit, we now have to provide additional information to our auditors. We expect to have this completed by 12/9/22. Some of that information will also be used for the FY22 audit, which we have already begun, and we do not anticipate any issues with the FY22 audit.

“I think we could reasonably get the audit complete by mid-January. December is a bad month with holidays and our auditors are also working on other audits at this time, so I don’t believe we could have it complete before then.”

LRE received communication in answer to the above on 12/2/2022, that if Jeff had further questions/comments he would be in touch. Then on 12/12/2022 we received the non-compliance letter stating we had two weeks to come into compliance by 12/22/2022 (which is 10 days, not 2 weeks). The letter stated that we had not asked for an extension.

A reply has been sent to Mr. Wieferich regarding the confusion around the non-compliance letter, the timeline, as well as the statement that they will be withholding \$200,000 if we do not meet the deadline.

6. Wakely Update – PowerPoint Slides attached.

ANNOUNCEMENTS:

UNDER FIRE: Gun Violence and Our Children

Thursday, November 17, 2022

10 am- 2 pm

Frederik Meijer Gardens and Sculpture Park

Grand Rapids, MI

Register at: www.scha-mi.org

SAVE THE DATE: DISABILITY ADOVACY DAY

The Michigan Developmental Disabilities Council and the Self Advocates of Michigan present:

DISABILITY ADVOCACY DAY

Tuesday, March 7, 2023

Join us in Lansing as we meet with state legislators to discuss the issues impacting people with disabilities. Disability Advocacy Day will take place on Tuesday, March 7, 2023 in the Mackinaw Room, 5th Floor, at the House Office Building.

More information will be coming in the future.

For now, save the date on your calendar!

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

Lakeshore Regional Entity

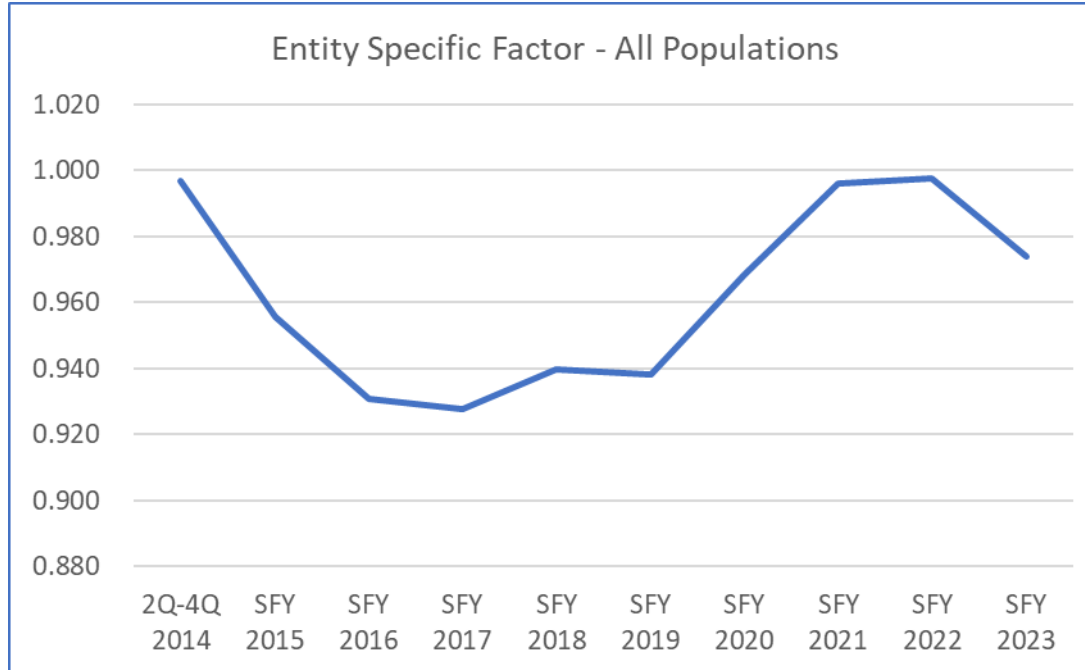
Entity Specific Factor Review

December 9, 2022

DEVELOPED BY
Sam Rickert, FSA, MAAA
Sr. Consulting Actuary

LRE Region 3 Entity Specific Factor Review

Entity Specific Factors – Composite

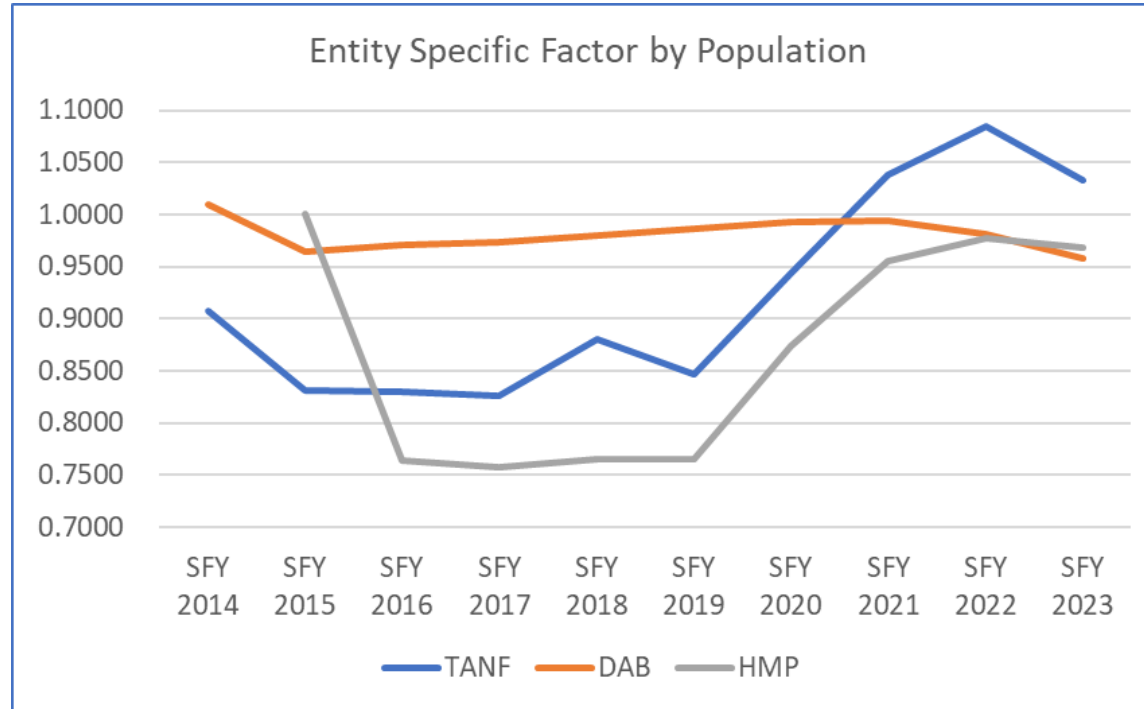


Rating Period	Factor
2Q-4Q 2014	0.997
SFY 2015	0.956
SFY 2016	0.931
SFY 2017	0.928
SFY 2018	0.940
SFY 2019	0.938
SFY 2020	0.969
SFY 2021	0.996
SFY 2022	0.997
SFY 2023	0.974

- Entity specific factors are intended to modify capitation rates to better align with the relative service need mix for each PIHP's covered population
- Factors represent the relative adjustment to LRE-specific rates compared to the statewide average (e.g., 0.980 implies LRE's rates are 2% lower than the statewide levels on a consistent enrollment mix basis)

LRE Region 3 Entity Specific Factor Review

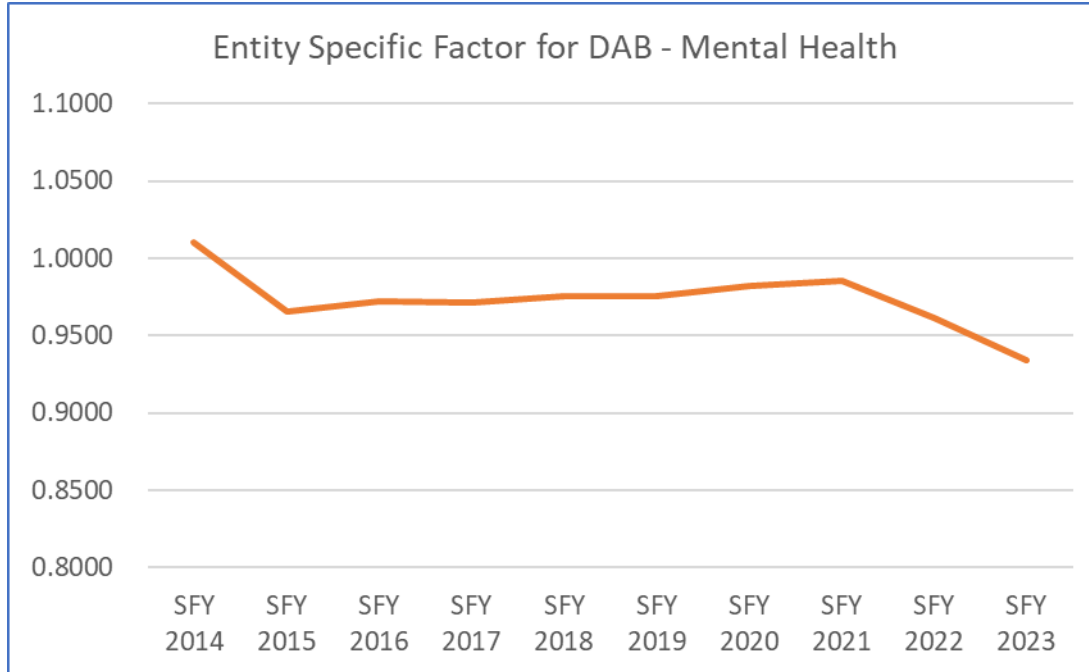
Entity Specific Factors – By Population



- Milliman implemented an updated methodology utilizing risk adjustment modeling starting in SFY 2020 which significantly improved LRE's TANF and HMP factors
- Note that SFY 2020 included an equal blend of the updated and prior year methodologies (i.e., it took until SFY 2021 for the updated methodology to be fully phased-in)

LRE Region 3 Entity Specific Factor Review

Entity Specific Factors – DAB-Mental Health



Rating Period	Factor
2Q-4Q 2014	1.010
SFY 2015	0.966
SFY 2016	0.972
SFY 2017	0.972
SFY 2018	0.976
SFY 2019	0.976
SFY 2020	0.982
SFY 2021	0.985
SFY 2022	0.961
SFY 2023	0.935

- DAB-Mental Health represents about 50% of total LRE capitation revenue*
- The entity specific factor for this population/benefit have decreased by 5% from SFY 2021 to SFY 2023, which amounts to an approximate 2.5% decrease in revenue during that time

LRE Region 3 Entity Specific Factor Review

DAB-Mental Health Risk Scores Over Time

Avg. Raw Risk Score

Region 3				
	SFY 2020	SFY 2021	SFY 2022	SFY 2023
BHTEDS:	3.7719	4.1657	4.1509	4.4127
Without BHTEDS:	0.0055	0.0172	0.0555	0.0415
Total:	0.9631	0.9386	0.8958	0.8792

Statewide				
	SFY 2020	SFY 2021	SFY 2022	SFY 2023
BHTEDS:	3.5877	3.8896	3.8968	4.1426
Without BHTEDS:	0.0300	0.0527	0.0434	0.0291
Total:	0.9976	0.9980	0.9947	0.9863

BHTEDS Completion %* Comparison

	SFY 2020	SFY 2021	SFY 2022	SFY 2023
Region 3:	25.4%	22.2%	20.5%	19.2%
Statewide:	27.2%	24.6%	24.7%	23.3%
Reg 3 % of Statewide:	93.5%	90.2%	83.1%	82.3%

- The entity specific factor is primary based on LRE's raw risk score relative to the Statewide risk score (i.e., LRE's normalized risk score)
- Raw risk scores are driven by members with completed BHTEDs
- LRE's decreasing DAB-Mental Health entity specific factor appears to be caused by LRE's BHTEDS Completion % declining over time at a faster rate than the Statewide Completion %

DISCLOSURES AND LIMITATIONS

- **Responsible Actuary.** Sam Rickert is the actuary responsible for this communication. Sam is a member of the American Academy of Actuaries and is a Fellow of the Society of Actuaries. He meets the Qualification Standards of the American Academy of Actuaries to issue this report.
- **Intended Users.** This information has been prepared for the sole use of LRE and cannot be distributed to or relied on by any third party without the prior written permission of Wakely. This information is confidential and proprietary. If distributed after receiving permission by Wakely, this document must be provided in its entirety, including caveats regarding the possible variability of results and Wakely's reliance on information provided by LRE.
- **Risks and Uncertainties.** The assumptions and resulting estimates included in this report are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from any estimates. It is the responsibility of the organization receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.
- **Conflict of Interest.** The responsible actuary is financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this presentation. In addition, Wakely is organizationally and financially independent from LRE.
- **Data and Reliance.** Wakely relied on information Milliman capitation rating documents and on summarized enrollment supplied by LRE in this assignment. We have reviewed the data for reasonableness but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly. Any errors in the data will affect the accuracy of the analysis and the conclusions drawn in this report.
- **Subsequent Events.** There are no known relevant events subsequent to the date of information received that would impact the results of this report.
- **Contents of Actuarial Report.** This document and the supporting exhibits constitute the entirety of the actuarial report and supersede any previous communications on the project.
- **Deviations from ASOPS.** Wakely completed the analysis using sound actuarial practice. To the best of our knowledge, the report and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice (ASOP) with no known deviations.