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## Lakeshore Regional Entity Board Financial Officer Report for July 2020

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- ✚ A motion is requested to approve the June 2020 disbursements. A summary of those disbursements is included as an attachment.
- ✚ A Statement of Activities report through May 2020 is also included as an attachment.
- ✚ **Regional Projections** - A Bucket Report for May 2020 is included as an attachment for today's meeting. Although at the time of this report, the region is projecting that revenues will exceed expenditures, there are many factors CMHSPs and providers are still analyzing to determine the impact of COVID on services. Some members and providers are experiencing challenges and delays in reporting claims which obstructs the view needed to provide and report confident expense projections. There are also provider stability plans and initiatives at the state and regional level that may add an undetermined amount of costs to the numbers reported by each CMHSP. Another unknown is the potential increased demand for mental health and substance use services. There may be an increase due to pent up demand and stressors related to dealing with the pandemic. While we work to ensure an adequate continuum of care is available to our consumers, we are mindful of the additional costs these efforts may require. Revenue projections continue to be updated monthly as payments and membership data is received. We received and included the June rate increase from the state for the direct care worker premium for April, May, and June. We have also conservatively applied a percentage of the unemployment rates for each county in our region as we anticipate this will have an impact on the number of eligible Medicaid and HMP enrollees. Our latest revenue and membership projections by program and CMHSP are attached to this report for your review.
- ✚ **FY2019 Audit Report** – During last month's board meeting the LRE's FY19 financial audit report was presented. As noted in the finance officer report, the Michigan Department of Treasury requested a Deficit Elimination Plan again this year and also requested a corrective action plan because the LRE's expenditures exceeded revenues for the past three years. The LRE requested an extension to submit its Deficit Elimination Plan, pending negotiations with the state. A copy of the corrective action plan submitted to the Department of Treasury is attached to this report for your review.
- ✚ **PIHP FY20 Rate Setting** – The state issued a new certification letter amending PIHP rates for April, May, and June to accommodate the \$2 per hour increase for hazard pay to direct care workers (DCW) and to increase the Hospital Reimbursement Adjustment (HRA) for hospitals accepting patients with COVID-19. The state and PIHPs are discussing ways to pass the DCW pay through to providers in an efficient way that is not as administratively burdensome

as the original plan to have providers void and resubmit previously submitted claims with the actual amounts paid as a result of the hazard pay. In addition to the \$2 DCW increase for April-June, the legislature approved a \$2 DCW increase for July-September that will come from a different funding source and may further complicate provider tracking and reporting.

-  **COVID-19** – Last month we reported receiving additional clarification regarding the use of Medicaid, General Fund, and Medicare as a result of COVID-19 emergency responses. Since then, PIHPs requested and received guidance on how various federal funding opportunities may have an impact on state and PIHP funding initiatives. Guidance received clearly states *“Medicaid dollars that a provider receives, as part of the PIHP stabilization program of their payer and any federal dollars received by the provider via the Provider Relief Fund cannot pay for the same expenditure.”* As the LRE, Beacon, and CMHSPs receive and review COVID-19 Provider Impact Survey responses and financial support requests, careful consideration will be taken to ensure compliance with the federal and state rules that have been imposed.
-  **PIHP FY21 Rate Setting** – We expect to receive draft rates for FY21 at the next rate setting meeting on July 23. Work is also underway to establish preliminary budgets for the region that will help inform plans for FY21. We will keep you posted as these things progress.

# Revenue Projection

## Total LRE

	Prior Projection	Current Projection	Change
MCD - MH	\$ 185,048,874	\$ 188,912,810	\$ 3,863,936
MCD - SUD	\$ 8,220,740	\$ 8,336,059	\$ 115,319
HMP - MH	\$ 19,085,318	\$ 19,480,197	\$ 394,879
HMP - SUD	\$ 12,588,228	\$ 12,898,225	\$ 309,997
Autism	\$ 33,938,451	\$ 34,178,493	\$ 240,042
Waiver	\$ 34,394,794	\$ 35,495,377	\$ 1,100,583
LRE / Beacon Admin	\$ 13,482,967	\$ 13,490,400	\$ 7,433
ISF	\$ 2,325,339	\$ 2,363,664	\$ 38,325
Perf. Bonus (Region)	\$ 576,282	\$ -	\$ (576,282)
Timely Filing (Region)	\$ 384,188	\$ -	\$ (384,188)
IPA	\$ 3,817,510	\$ 3,825,065	\$ 7,555
<b>Total Region</b>	<b>\$ 313,862,689</b>	<b>\$ 318,980,289</b>	<b>\$ 5,117,600</b>

## Total CMHSPs

	Prior Projection	Current Projection	Change
Allegan	\$ 26,319,819	\$ 27,022,340	\$ 702,520
Healthwest	\$ 57,580,028	\$ 58,695,911	\$ 1,115,884
Network180	\$ 150,146,424	\$ 153,039,956	\$ 2,893,532
Ottawa	\$ 39,121,342	\$ 39,933,146	\$ 811,805
West Michigan	\$ 20,108,792	\$ 20,609,807	\$ 501,014
<b>Total CMHSPs</b>	<b>\$ 293,276,405</b>	<b>\$ 299,301,160</b>	<b>\$ 6,024,755</b>

## Prior Projection Current Projection Change

Allegan	\$ 97.43	\$ 100.56	\$ 3.13
Healthwest	\$ 90.47	\$ 92.32	\$ 1.86
Network180	\$ 92.54	\$ 93.92	\$ 1.38
Ottawa	\$ 91.27	\$ 92.73	\$ 1.45
West Michigan	\$ 86.68	\$ 89.06	\$ 2.38
<b>Total CMHSPs</b>	<b>\$ 91.94</b>	<b>\$ 93.65</b>	<b>\$ 1.70</b>

## CMHSPs Breakdown

### Prior Projection Current Projection Change

<b>MCD - MH</b>			
Allegan	\$ 16,463,093	\$ 16,791,707	\$ 328,614
Healthwest	\$ 38,380,912	\$ 39,149,776	\$ 768,864
Network180	\$ 92,385,799	\$ 94,334,149	\$ 1,948,350
Ottawa	\$ 24,195,233	\$ 24,712,240	\$ 517,008
West Michigan	\$ 13,623,837	\$ 13,924,938	\$ 301,101
<b>Total MCD - MH</b>	<b>\$ 185,048,874</b>	<b>\$ 188,912,810</b>	<b>\$ 3,863,936</b>
<b>MCD - SUD</b>			
Allegan	\$ 678,662	\$ 684,445	\$ 5,783
Healthwest	\$ 1,840,653	\$ 1,859,001	\$ 18,348
Network180	\$ 4,118,801	\$ 4,184,774	\$ 65,973
Ottawa	\$ 936,934	\$ 956,734	\$ 19,800
West Michigan	\$ 645,690	\$ 651,106	\$ 5,416
<b>Total MCD - SUD</b>	<b>\$ 8,220,740</b>	<b>\$ 8,336,059</b>	<b>\$ 115,319</b>
<b>HMP - MH</b>			
Allegan	\$ 1,492,225	\$ 1,504,108	\$ 11,883
Healthwest	\$ 4,122,305	\$ 4,166,683	\$ 44,378
Network180	\$ 9,480,018	\$ 9,746,921	\$ 266,903
Ottawa	\$ 2,498,365	\$ 2,556,899	\$ 58,534
West Michigan	\$ 1,492,404	\$ 1,505,586	\$ 13,183
<b>Total HMP - MH</b>	<b>\$ 19,085,318</b>	<b>\$ 19,480,197</b>	<b>\$ 394,879</b>
<b>HMP - SUD</b>			
Allegan	\$ 969,926	\$ 983,173	\$ 13,247
Healthwest	\$ 2,767,674	\$ 2,813,831	\$ 46,156
Network180	\$ 6,269,800	\$ 6,464,113	\$ 194,314
Ottawa	\$ 1,592,442	\$ 1,635,425	\$ 42,982
West Michigan	\$ 988,386	\$ 1,001,683	\$ 13,298
<b>Total HMP - SUD</b>	<b>\$ 12,588,228</b>	<b>\$ 12,898,225</b>	<b>\$ 309,997</b>
<b>Autism</b>			
Allegan	\$ 2,260,756	\$ 2,465,454	\$ 204,698
Healthwest	\$ 2,544,680	\$ 2,514,513	\$ (30,168)
Network180	\$ 23,262,895	\$ 23,265,069	\$ 2,174
Ottawa	\$ 4,934,100	\$ 4,984,209	\$ 50,109
West Michigan	\$ 936,019	\$ 949,248	\$ 13,228
<b>Total Autism</b>	<b>\$ 33,938,451</b>	<b>\$ 34,178,493</b>	<b>\$ 240,042</b>
<b>Waiver</b>			
Allegan	\$ 4,455,157	\$ 4,593,453	\$ 138,296
Healthwest	\$ 7,923,802	\$ 8,192,108	\$ 268,306
Network180	\$ 14,629,111	\$ 15,044,931	\$ 415,819
Ottawa	\$ 4,964,267	\$ 5,087,639	\$ 123,372
West Michigan	\$ 2,422,456	\$ 2,577,245	\$ 154,789
<b>Total Waiver</b>	<b>\$ 34,394,794</b>	<b>\$ 35,495,377</b>	<b>\$ 1,100,583</b>

Member Month Projection											
Percent of total Unemployment to use:		15%		25%		35%					
		March		April		May		June			
Allegan						2.96%		3.53%		4.94%	
Healthwest						3.78%		5.23%		7.32%	
Network180						2.82%		3.70%		5.18%	
Ottawa						2.78%		3.43%		4.80%	
West Michigan						3.30%		3.70%		5.20%	
*Removes March 'base'											

By County Unemployment Percent					Avg Labor Force	April			May		April + May		
						Actual	Proj.	% of Actual	Actual	Proj.	Net Actual	Net Proj. Increase	Net % Increase
Michigan	4.3%	22.7%	21.2%	21.2%									
Kent	2.5%	21.3%	17.3%	17.3%	351,437	66,070	2987	4.5%	(14,057)	1636	52,013	4623	8.9%
Muskegon	3.9%	29.1%	24.8%	24.8%	79,156	19,947	1278	6.4%	(3,404)	732	16,543	2010	12.2%
Allegan	2.9%	22.6%	17.0%	17.0%	60,336	11,886	463	3.9%	(3,379)	163	8,507	626	7.4%
Lake	5.6%	30.2%	21.8%	21.8%	3,659	900			(307)		593		
Mason	5.0%	25.5%	18.9%	18.9%	38,927	7,980	559	5.0%	(2,569)	113	5,411	672	8.7%
Ottawa	2.4%	20.9%	16.1%	16.1%	156,685	28,987	898	3.1%	(7,521)	459	21,466	1357	6.3%
Oceana	6.2%	27.0%	20.9%	20.9%	11,426	2,377			(697)		1,680		
*From bls.gov/lau/					701,626	138,147	6,185	4.5%	(31,934)	3,103	106,213	9,288	8.7%

\*Increases added to HMP & 50% to TANF - Not DAB

	Prior Projection	Current Projection	Change
Allegan	270,130	268,717	(1,413)
Healthwest	636,484	635,772	(712)
Network180	1,622,504	1,629,437	6,933
Ottawa	428,626	430,659	2,033
West Michigan	231,989	231,413	(576)
<b>Total Member Months</b>	<b>3,189,733</b>	<b>3,195,998</b>	<b>6,265</b>

June 26, 2020

State of Michigan  
Department of Treasury  
P.O. Box 30728  
Lansing, MI 48909-8228

Attention: Community Engagement and Finance Division

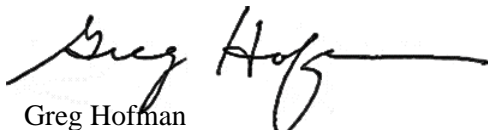
We are in receipt of your June 1, 2020 letter requesting a corrective action plan to explain the reported trend of Lakeshore Regional Entity's expenditures exceeding revenues for the last three year. Lakeshore Regional Entity (LRE) is the public behavioral health plan for people with mental illness, developmental disability, and substance use disorders in Allegan, Kent, Lake, Mason, Muskegon, Oceana, and Ottawa counties. Our organization manages the services provided under a contract with the Michigan Department of Health and Human Services (MDHHS) to residents in the region who have Medicaid or are under insured and who are eligible for services as defined by the Michigan Mental Health Code. We are one of ten Prepaid Inpatient Health Plans (PIHP) in Michigan. The LRE's main source of funding is received from MDHHS and is based on prepaid capitation payments that have historically not included comprehensive risk funding or mechanisms to support significant increases in behavioral health service demands. In fiscal year 2019 the LRE had no reserves for the services it managed on behalf of MDHHS. All reserves were exhausted during fiscal year 2017. Systemic underfunding by the MDDHS to support behavioral health services the LRE is required to administer has created a domino effect of resulting deficits among providers and administrators of the public behavioral health system.

In light of everything noted above, however, we are pleased to report progress that is being made by the State of Michigan. Beginning in fiscal year 2020, the State of Michigan will add an additional \$244,000,000 to support the increasing utilization trends in the Medicaid and Healthy Michigan Plan programs throughout the state. And for fiscal year 2020 the revenue allocation model for PIHPs was also altered based on feedback from the PIHPs and CMHSPs.

**Changes in the state's funding methodology have significantly improved the financial status of the LRE for fiscal year 2020 and current estimates show a projected surplus of over 6 million.** It is with the additional funds to be received from the state's funding changes, regional enhancements, improved efficiencies, and board action to rebuild our Internal Service Fund (ISF), that we can report our plan not to have expenditures that exceed our revenues in FY20. **Our current ISF balance has gone from \$0 to \$1.5 million in FY2020.** We do not believe there is any reason for concern that next year our FY20 expenditures will exceed our FY20 revenue.

If you have any questions regarding our plan or response, please let us know. Thank you.

Sincerely,



Greg Hoffman  
Chief Executive Officer