

Meeting Agenda
Board of Directors Work Session
January 25, 2023, 11:00 AM
GVSU Muskegon Innovation Hub
200 Viridian Dr, Muskegon, MI 49440

1. Welcome and Opening Comments – Mr. DeYoung
2. Public Comment
3. New FSR Report Template Presentation (*Attachment 1, 2*)– Stacia Chick
4. Bylaw Refresh (*Attachment 3*) – Mary Marlatt-Dumas
5. Board Member Comment
6. Public Comment
7. Adjourn

Lakeshore Regional Entity Combined Monthly FSR Summary
FY 2023
November 2022 Reporting Month
Reporting Date: 1/18/2023

ACTUAL:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Distributed Medicaid/HMP Revenue							
Medicaid	14,130,776	20,414,069	4,143,541	4,892,536	2,481,848	711,766	46,774,535
Autism	1,385,116	3,421,851	601,254	1,001,728	407,472	84,107	6,901,528
Healthy Michigan	1,354,800	5,859,427	662,434	837,864	358,162	99,077	9,171,764
Total Distributed Medicaid/HMP Revenue	16,870,692	29,695,347	5,407,229	6,732,128	3,247,482	894,950	62,847,828
Capitated Expense							
Medicaid	9,106,576	23,214,631	4,167,815	4,664,793	2,498,912	711,766	44,364,493
Autism	613,139	3,656,113	291,615	467,444	129,968	84,107	5,242,386
Healthy Michigan	1,282,290	3,484,163	650,423	401,947	257,603	99,077	6,175,503
Total Capitated Expense	11,002,005	30,354,907	5,109,853	5,534,184	2,886,483	894,950	55,782,381
Actual Surplus (Deficit)	5,868,687	(659,560)	297,376	1,197,944	360,999	-	7,065,446
% Variance	34.79%	-2.22%	5.50%	17.79%	11.12%	0.00%	
Information regarding Actual (Threshold: Surplus of 5% and deficit of 1%)	The 3% increase, per the spending plan, does not go into effect until January 1st. HW is anticipating some provider stability payments for the first quarter of the fiscal year.	N180 calculates capitated expenses using actual claims submitted at the time of FSR prep + an estimate for IBNR based on experience. YTD, N180 expects a receivable from the LRE to cover the difference.	Actual based on known expenses, plus IBNR for provider network claims, as of date of submission. Actual revenue based on cash received as of report date for period reported.	Oct and Nov claims processing focused more on FY22 payables	Expenditures are under budget due to the delay in hiring for vacant positions.	Less than threshold for explanation	
PROJECTION:							
LRE Revenue Projections as of:							
November							
Medicaid	50,592,580	138,477,148	26,226,787	39,308,314	15,685,856	14,637,966	284,928,652
Autism	8,877,222	21,807,343	3,848,342	6,357,597	2,567,623	1,962,200	45,420,327
Healthy Michigan	9,801,631	28,885,568	4,320,883	8,034,599	2,412,467	2,239,706	55,694,855
Total Projected Medicaid/HMP Revenue	69,271,433	189,170,059	34,396,012	53,700,511	20,665,946	18,839,873	386,043,834
	(0)	-	-	-	-	-	-
Expense Projections							
Medicaid	50,501,022	143,421,758	27,633,137	39,188,982	16,399,959	14,637,966	291,782,824
Autism	3,882,914	23,930,255	2,107,584	6,016,974	1,213,176	1,962,200	39,113,103
Healthy Michigan	7,980,645	21,875,337	3,700,611	7,489,239	1,359,177	2,239,706	44,644,715
Total Capitated Expense Projections	62,364,581	189,227,349	33,441,332	52,695,195	18,972,312	18,839,873	375,540,642
Projected Surplus (Deficit)	6,906,852	(57,290)	954,680	1,005,316	1,693,634	-	10,503,192
% Variance	9.97%	-0.03%	2.78%	1.87%	8.20%	0.00%	
Information regarding Projections (Threshold: Surplus of 5% and deficit of 1%)	HW CFO, met with the Finance staff at WCMCMH and OCCMH to discuss how they calculate projections. One big factor that was missed in HW projections was the spending plan projections. HW's November report was late due to extra time to update projections to take into account the work that HW is planning and that is noted within our spending plan.	Less than threshold for explanation	Expense projections have been updated based on expected utilization changes, all known rate increases (i.e. SUD rates effective 1/1/23, H0020 rate increase, Autism increases), and projected staffing and pay grade changes.	Increased expenses over last month based on current spending trends and implementation of Jan 1 3% SUD rates increase.	Two months into the fiscal year, WM's expenditure projection is based on the spending plan. Projection information will be updated as we move further into the fiscal year. WM has added 5 new FTEs to support operational needs currently not built into the projection.	Less than threshold for explanation	
PROPOSED SPENDING PLAN:							
Submitted to the LRE as of:	12/8/2022	9/19/2022	10/18/2022	1/13/2023	1/13/2023		
Medicaid/HMP Revenue							
Medicaid	50,592,580	138,477,148	26,226,787	39,308,314	15,685,856	14,637,966	284,928,652
Autism	8,877,222	21,807,343	3,848,342	6,357,597	2,567,623	1,962,200	45,420,327
Healthy Michigan	9,801,631	28,885,568	4,320,883	8,034,599	2,412,467	2,239,706	55,694,855
Total Budgeted Medicaid/HMP Revenue	69,271,433	189,170,059	34,396,012	53,700,511	20,665,946	18,839,873	386,043,834
Capitated Expense							
Medicaid	52,832,547	136,680,342	26,869,897	39,188,982	16,524,118	18,839,873	290,935,759
Autism	2,409,949	22,686,387	1,961,305	6,016,974	1,213,176	-	34,287,791
Healthy Michigan	8,177,941	27,916,973	3,063,222	7,489,239	1,403,241	-	48,050,616
Total Budgeted Capitated Expense	63,420,437	187,283,702	31,894,424	52,695,195	19,140,535	18,839,873	373,274,165
Budgeted Surplus (Deficit)	5,850,996	1,886,358	2,501,588	1,005,316	1,525,411	-	12,769,668
% Variance	8.45%	1.00%	7.27%	1.87%	7.38%	0.00%	
Information regarding Spending Plans (Threshold: Surplus of 5% and deficit of 1%)	HealthWest created a spending plan with a surplus due to the increase in revenue. A new spending plan is being developed in the second quarter and will go to the HW board for budget approval and then back to the LRE for adoption.	Spending Plan expenses match N180 FY23 Board Approved Budget on 9/19/22, plus increase for H0020 to \$19 per unit and 3% SUD Rate increase	Matches OnPoint board approved budget, plus increase for H0020 to \$19 per unit and 3% SUD Rate increase	Increased expenses based on current spending trend and LRE projection	Typically matches WM board approved budget unless significant changes, changes due to CCBHC haven't been WM board approved yet.	Less than threshold for explanation	
Variance between Projected and Budgeted	1,055,856	(1,943,647)	(1,546,908)	-	168,223	-	(2,266,476)
% Variance	1.52%	-1.03%	-4.50%	0.00%	0.81%	0.00%	
Explanation of variances between Projected and Budgeted (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation	Projection matches LRE revenue projection, which was finalized after the N180 Board approved budget	Spending Plan matches OnPoint Board approved budget.	Less than threshold for explanation	State change for MAT rate changes.	Less than threshold for explanation	

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CCBHC ACTIVITY							
ACTUAL:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Distributed Medicaid/HMP CCBHC Revenue							
Medicaid CCBHC Base Capitation	1,608,797				731,302		2,340,100
Medicaid CCBHC Supplemental	917,603				871,508		1,789,111
Healthy Michigan CCBHC Base Capitation	416,013				258,955		674,969
Healthy Michigan CCBHC Supplemental	240,483				308,953		549,435
Total Distributed Medicaid/HMP CCBHC Revenue	3,182,896	-	-	-	2,170,718	-	5,353,614
Capitated CCBHC Expense							
Medicaid CCBHC	2,526,400				1,576,167		4,102,566
Healthy Michigan CCBHC	656,496				564,122		1,220,619
Total Capitated CCBHC Expense	3,182,896	-	-	-	2,140,289	-	5,323,185
Actual CCBHC Surplus (Deficit)	-	-	-	-	30,429	-	30,429
% Variance	0.00%				1.40%		
Information regarding CCBHC Actual (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation				Less than threshold for explanation		
PROJECTION:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
LRE CCBHC Revenue Projections *							
Medicaid CCBHC Base Capitation	9,235,815				4,802,256		14,038,070
Medicaid CCBHC Supplemental	4,547,160				5,080,846		9,628,006
Healthy Michigan CCBHC Base Capitation	1,746,766				1,610,877		3,357,643
Healthy Michigan CCBHC Supplemental	1,467,538				1,925,039		3,392,576
Total Projected Medicaid/HMP CCBHC Revenue	16,997,279				13,419,017	-	30,416,296
Capitated CCBHC Expense Projections							
Medicaid CCBHC	15,158,400				9,456,999		24,615,399
Healthy Michigan CCBHC	3,938,978				3,384,735		7,323,713
Total Capitated CCBHC Expense Projections	19,097,377	-	-	-	12,841,734	-	31,939,111
Projected CCBHC Surplus (Deficit)	(2,100,099)	-	-	-	577,283	-	(1,522,816)
% Variance	-12.36%				4.30%		
Information regarding CCBHC Projections (Threshold: Surplus of 5% and deficit of 1%)	Revenue Projections are based on the State's FY22 Rate Certification Letter. After FY22 Cost Settlement, it will be determined if updated projections are needed.				Less than threshold for explanation		
PROPOSED SPENDING PLAN:	HealthWest	Network180	OnPoint	Ottawa	West Michigan	LRE	Total
Submitted to the LRE as of:	12/8/2022	8/6/2022	10/18/2022	12/6/2022	12/6/2022		
Medicaid/HMP Revenue							
Medicaid CCBHC Base Capitation	9,235,815				4,802,256		14,038,070
Medicaid CCBHC Supplemental	4,547,160				5,080,846		9,628,006
Healthy Michigan CCBHC Base Capitation	1,746,766				1,610,877		3,357,643
Healthy Michigan CCBHC Supplemental	1,467,538				1,925,039		3,392,576
Total Budgeted Medicaid/HMP CCBHC Revenue	16,997,279				13,419,017	-	30,416,296
Capitated Expense							
Medicaid CCBHC	13,782,975				9,883,101		23,666,076
Healthy Michigan CCBHC	3,214,304				3,535,916		6,750,220
Total Budgeted Capitated CCBHC Expense	16,997,279				13,419,017	-	30,416,296
Budgeted Surplus (Deficit)	-				-	-	-
% Variance	0.00%				0.00%		
Information regarding CCBHC Spending Plans (Threshold: Surplus of 5% and deficit of 1%)	Less than threshold for explanation				Less than threshold for explanation		
Difference between Projected and Budgeted CCBHC	2,100,099				(577,283)	-	(1,522,816)
% Variance	12.36%				-4.30%		
Explanation of variances between Projected and Budgeted CCBHC (Threshold: Surplus of 5% and deficit of 1%)	Revenue Projections are based on the State's FY22 Rate Certification Letter. After FY22 Cost Settlement, it will be determined if updated projections are needed.				Revenue Projections are based on the State's FY22 Rate Certification Letter. After FY22 Cost Settlement, it will be determined if updated projections are needed.		

*CCBHC Projected Revenue is based on the State's projections in the FY22 Rate Certification Letter.

**LAKESHORE REGIONAL ENTITY
OPERATING AGREEMENT
As Amended
August 10, 2022**

PREAMBLE

The five Community Mental Health Services Programs (Members) have joined together to create a jointly governed Regional Entity operating as a Prepaid Inpatient Health Plan (PIHP) for the purpose of supporting and furthering the work of the Members in their roles as local providers of specialty mental health services in the counties served. Inherent in this action is the belief that the local Member is best suited to provide services well matched to the needs of the communities and citizens served. The Lakeshore Regional Entity (the “ENTITY”) is established for the purpose of meeting the regulatory and statutory requirements best handled at the PIHP level, and other services as agreed, while not encumbering, but enhancing, the effort of the Members as local service providers. In serving and representing the counties of Allegan, Kent, Lake, Mason, Muskegon, Oceana and Ottawa, the ENTITY is dedicated to ensuring that equality in voice and governance exists, and that the benefit to the person participating in services is uniform, person centered, and locally available.

Members adopted a set of Principles to guide the organization and formation of the ENTITY, and influence future decisions: they are incorporated by reference. The ENTITY is founded on a shared governance structure, using standing committees to create avenues for input. Certain checks and balances are created to ensure that governance remains balanced and equal. The ENTITY exists to serve all Members, and all Members must work collaboratively to ensure the ENTITY is successful in its core mission to be the State’s Region #3 PIHP.

Such important decisions benefit from a thoughtful process that incorporates the voices of Members, stakeholders, and Member leadership, who bring local knowledge and expertise together to inform the plans, policies, and procedures that will create and sustain a healthy ENTITY, healthy Members, and a healthy array of beneficial services.

The Governing Board will be best served by a Chief Executive Officer (CEO) who is an accomplished administrator and facilitator, capable of bringing many and varied voices together to achieve consensus. The CEO must promote compliance, fiscal responsibility, quality programs, meaningful outcomes, and efficiencies that will funnel more resources to direct services. The Governing Board must also be served by an Operations Advisory Council that brings management expertise, local perspectives, local needs, and greater vision to the operation of the PIHP.

This Operating Agreement (the “Agreement”) is revised as of this 10th day of August, 2022 by and between Lakeshore Regional Entity (the “ENTITY”) and Kent County Mental Health Authority d/b/a Network180, West Michigan Community Mental Health System, Community Mental Health of Ottawa County, Community Mental Health Services of Muskegon County, d/b/a HealthWest and Allegan County Community Mental Health Services (collectively the “CMHSP Members”, individually the “CMHSP Member”).

RECITALS

A. The CMHSP Members have formed the ENTITY pursuant to MCL 330.1204b of the Mental Health Code, 1974 PA 258 to serve as the prepaid inpatient health plan (“PIHP”) for the seven (7) counties designated by the Michigan Department of Health and Human Services (“MDHHS”) as Region 3, by filing Bylaws with the Office of the Great Seal and the Clerks of each County in which the CMHSP Members are located.

B. The Bylaws for the ENTITY, set forth how the ENTITY will be governed and managed and incorporated by reference the Operating Agreement which must be entered into by each CMHSP Member to set forth the terms and conditions as to how the ENTITY will be operated.

C. The CMHSP Members desire to enter into this Operating Agreement to set forth the terms and conditions of the operation of the ENTITY.

NOW THEREFORE, in furtherance of the foregoing and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

ARTICLE I DEFINITIONS

1.1 BOARD OF DIRECTORS. Means the governing body of the ENTITY, appointed by the CMHSP Members.

1.2 BYLAWS. Mean rules and regulations adopted by the ENTITY that govern all ongoing activities.

1.3 CMHSP MEMBER (MEMBER). Means a Community Mental Health Service Program within the Lakeshore Regional Entity (The ENTITY is a seven-county region for whom the ENTITY is the acting PIHP).

1.4 COMMUNITY MENTAL HEALTH SERVICES PROGRAM (CMHSP). Means a program operated under Chapter 2 of the Michigan Mental Health Code as a county community mental health agency, a community mental health authority, or a community mental health organization.

1.5 ENTITY. Means the Lakeshore Regional Entity formed pursuant to 1974 P.A. 258, as amended, MCL§330.1204b, a public governmental entity separates from the authority, county or organization that establishes it. (MCL §330.1204b(3)).

1.6 MDHHS. Means Michigan Department of Health and Human Services.

1.7 MENTAL HEALTH CODE. Means 1974 P.A. 258, as amended.

1.8 OPERATING AGREEMENT. Means this written agreement amongst the CMHSP Members and the Entity that describes the terms and conditions of the operation of the ENTITY, as approved by the CMHSP Members respective governing bodies. The ENTITY's Operating Agreement shall be incorporated in the Bylaws by reference.

1.9 PERSONS SERVED. Means a person receiving services from a CMHSP Member or a provider contracted with the CMHSP Member, also referred to as Person Served

ARTICLE 2 PURPOSE, OPERATING PHILOSOPHY, GUIDING PRINCIPLES, SCOPE AND AUTHORITY OF THE ENTITY

2.1 PURPOSE. The purpose of this Agreement is to provide the terms and conditions for the operation of the ENTITY to serve as the PIHP under contract with MDHHS which has been designated by MDHHS as Region 3.

2.2 OPERATING PHILOSOPHY. The ENTITY is dedicated to ensuring that equality in voice and governance exists, and that the benefit to the citizens meets Medicaid standards while being provided in ways that reflect the needs and resources of the communities in which each CMHSP Member operates. The ENTITY will foster each CMHSP Members' integration activities and locally driven work. The organization and operation of the ENTITY is based on a shared operating structure, using a committee-based system that creates many venues, allowing voices from across the region to be heard. It establishes certain checks and balances to ensure that governance remains balanced and equal and that the operation of the ENTITY is for service to the CMHSP Members in achieving high levels of regulatory compliance, quality of service, and fiscal

integrity. In these ways the ENTITY exists to serve in the best interest of and to the benefit of all CMHSP Members and their persons served.

This Operating Agreement sets forth the responsibilities of the ENTITY's Board of Directors, Chief Executive Officer and advisory councils.

2.3 SCOPE AND AUTHORITY. In addition to the authority granted to the ENTITY under the Mental Health Code and the Bylaws, the scope and authority of the ENTITY is to provide a framework for basic decision making, a structure for communicating among and between the ENTITY Board, administration and councils that is inclusive, collegial, equitable, responsive and conducted in the spirit of a collaborative partnership. It directs the inclusion of CMHSP Member representatives, provider representatives, appointed representatives, persons in service and stakeholders, and provides the means to address special needs as they present.

2.4 ASSURANCE OF LOCAL AUTONOMY. In fulfillment of the ENTITY's commitment to local autonomy and control, by the CMHSP Members and their community stakeholders which make up the region, the ENTITY will not mandate, prohibit, nor overturn an action (policy, procedure, or practice) by a CMHSP Member unless that action: violates Medicaid policy, or the requirements of the Medicaid Manual; violates state or federal law; violates the ENTITY's PIHP contract with MDHHS; violates generally accepted accounting principles (GAAP); is projected to cause the ENTITY, as a whole, to over-run its budget; or is projected to cause the ENTITY, as a whole, to leave ENTITY managed funds unspent/lapsed in the region above the level of funds, if any, that were planned to be unspent or lapsed in the most recently Board-approved budget of the ENTITY.

ARTICLE 3

GOVERNANCE, MANAGEMENT, OPERATIONS

3.1 GOVERNANCE/MANAGEMENT. Subject to the powers assigned to the CMHSP Members in the ENTITY Bylaws, the Board of Directors of the ENTITY as set forth in the Bylaws will govern and manage the business, property and affairs of the ENTITY.

3.2 OPERATIONS ADVISORY COUNCIL. The ENTITY Board shall create an Operations Advisory Council to advise the ENTITY's Chief Executive Officer concerning the operations of the ENTITY. It will inform, advise and work with the Chief Executive Officer to bring local perspectives, local needs, and greater vision to the operations of the ENTITY.

3.2.1 Responsibilities and Duties. The responsibilities and duties of the Operations Advisory Council shall include the following:

3.2.1.1 Advise the Chief Executive Officer in the development of the long-term plans of the ENTITY;

3.2.1.2 Advise the Chief Executive Officer in establishing priorities for the Board's consideration, make recommendations to the Chief Executive Officer on policy and fiscal matters and may make task force recommendations;

3.2.1.3 Review recommendations from Finance, Quality Improvement, and Information Technology Regional Operations Advisory Teams (ROATs);

3.2.1.4 Shall undertake such other duties as may be delegated by the ENTITY Board.

3.2.1.5 Ensure that the ENTITY and all its Members comply with federal and state standards and regulation and assure compliance as described as described below in 3.3.

3.2.1 **COMPOSITION.** The Operations Advisory Council will consist of the Chief Executive Officers/Executive Directors of the ENTITY and the Members. Other staff from the CMHSP or the ENTITY may attend as requested by Operations Advisory Council.

3.2.2 **MEETING FREQUENCY.** The Operations Advisory Council will establish and sustain a regular schedule for standing committee meetings.

3.2.3 **REGIONAL OPERATIONAL ADVISORY TEAMS (ROAT).** The Operations Advisory Council with the concurrence of the Chief Executive Officer of the ENTITY may establish regional operational advisory teams (ROATs) for selected functional areas or specific activities (such as but not limited to IT, Clinical, Network, etc.). The ENTITY and Members will appoint staff to Region 3 operational advisory teams to represent functional areas within their respective organizations. ROATs must have a defined charter to be assembled and convened.

3.2.3.1 ROAT Composition will consist of each Member CEO/Executive Director appointing representatives from the Member area to serve

on committees. There will be equal representation and voting on all committees unless otherwise required by law.

3.3 COMPLIANCE. The ENTITY, the Members, the ENTITY Board of Directors, officers and staff will fully comply with all applicable laws, regulations and rules, including without limitation 1976 P.A. 267 (the “Open Meetings Act”) and 1976 P.A. 422 (the “Freedom of Information Act”). The ENTITY Board of Directors will develop policies and procedures to address any noncompliance which will be incorporated herein by reference.

All parties recognize that the ENTITY, as the PIHP, holds different legal responsibilities than the Members. Throughout the implementation of this Operating Agreement, all parties enter into this arrangement in a spirit of good faith and cooperation. All parties recognize that the ENTITY may need to, at the discretion and with the advanced approval of ENTITY CEO and his/her designee conduct random audits and or reviews. Such activity would occur with timely notice to the Member Director to communicate rationale for the review and findings. Members acknowledge that the ENTITY is responsible in part for ensuring that covered services and administrative services furnished by and through Members are furnished and compensated in accordance with applicable laws and regulations. Accordingly, on behalf of itself and its network providers, Members acknowledge that the ENTITY has the right, responsibility and authority:

1. To detect and deter compliance violations by Members and network providers by any lawful means, including monitoring and announced audits.

2. To independently investigate alleged or suspected compliance violations by Members, a network provider, or an employee, owner, or governing body members of either.

Member agrees to cooperate in carrying out the ENTITY’s compliance responsibilities.

Members are required to report to the ENTITY any activity found not to be consistent with established the ENTITY’s policy and procedure.

Members acknowledge their obligation to submit all requested data and reports with timelines agreed upon.

ARTICLE 4 FINANCIAL

4.1 ALLOCATION. The ENTITY will provide for a funding system that is fair and uniform across Region 3.

4.1.1 REVENUE DISTRIBUTION.

- 4.1.1.1 MEDICAID.** The primary source of the ENTITY's revenue will be Medicaid capitation received on a monthly basis from MDHHS. These payments will be for eligible enrollees covered by benefits or entitlements inclusive of, but not limited to, the Medicaid Contract, Autism Benefit, Substance Use Disorder Benefit and the Healthy Michigan (expanded Medicaid program), if any. Effective June 1, 2022, the ENTITY will distribute Medicaid dollars, if any, to the Members using the same methodology as MDHHS allocates the dollars to the ENTITY, or as contractually required. The gross funding will be adjusted by required withholds and ENTITY administrative costs as defined in Section 4.1.3.1 and by Planned Funding Adjustments, which are defined as increases or decreases to a Member's Medicaid funding as approved in a plan as agreed upon by the Members and as determined in the ENTITY's policy and/or procedure. This will determine the net funding level.
- 4.1.1.2 BLOCK GRANTS.** The ENTITY Chief Executive Officer will receive the notification of Block Grants. Notification of receipt will be forwarded to all Members of the ENTITY Board of Directors. Funding will be distributed based on the award.
- 4.1.1.3 SUBSTANCE USE DISORDER (SUD).** Separate policies and/or procedures for SUD prevention and treatment services (block grant and Public Act (PA2) Liquor Tax funding) will be created in accordance with State requirements to ensure proper distribution, accounting and reporting related to these funds.
- 4.1.1.4 OTHER REVENUE SOURCES.** In addition to the revenue sources identified above, the ENTITY may receive other revenue. Upon receipt, the ENTITY will distribute these funds to the appropriate Members, as contractually required, if applicable, or according to policy and/or procedure.

- 4.1.2 RISK MANAGEMENT/TRANSITION FUNDING/SURPLUS FUNDS.** The ENTITY will establish policies and procedures to address Financial Risk Management, Transition Funding, and Surplus Funds

4.1.3 CAPITAL AND OPERATING COSTS.

- 4.1.3.1 FINANCIAL SUPPORT FOR THE ENTITY.** Revenues for ENTITY expenses will come from current year regional revenues and approved by the ENTITY's Board of Directors.

- 4.1.3.2 **CAPTIAL.** As detailed in the Budget Section 4.5, the ENTITY can purchase and account for capital assets based on the approved budget.
- 4.1.3.3 **ENTITY ADMINISTRATIVE SURPLUS FUNDS.** Unspent ENTITY administrative funds (difference between the approved ENTITY administrative budgeted funds which have been withheld monthly by the ENTITY and actual funds spent) will become part of the overall Medicaid funds usable across the Region 3 for current operations. If the funds are not needed for operations, then they would be added to either the Medicaid Savings pooled funds or the ISF.
- 4.2 **ACCOUNTABILITY OF FUNDS.** The ENTITY Chief Financial Officer, with the assistance of the Chief Executive Officer, will provide the ENTITY Board with regular, detailed reports accounting for all the ENTITY's operations in accordance with ENTITY Board policy.
- 4.2.1 **CONTRACT RECONCILIATION.** Upon conclusion of each fiscal year of this Operating Agreement, final contract reconciliation shall be completed as a net cost settlement wherein the Medicaid funding prepaid by the ENTITY to each Member, and the total of the Member's expenditures pursuant to this Operating Agreement, will be reviewed and reconciled in direct accordance with the service and financial provisions hereunder. The contract reconciliation of this Operating Agreement will be completed in full compliance with MDHHS requirements and in accordance with the revenue and expenditure reconciliation process and requirements of the ENTITY's contract with MDHHS. The contract reconciliation for each fiscal year under this Operating Agreement will be completed in accordance with the timelines that have been established by ENTITY policy and/or procedure or contractual requirements.
- 4.2.2 **UNALLOWABLE COSTS/PAYBACKS.** Should a Member fail to fulfill its obligations as required under this Operating Agreement, resulting in unallowable Medicaid services and/or claims cost, it will not be reimbursed by the ENTITY for any such services and/or cost claims. The Member agrees to repay to the ENTITY any and all Medicaid payments made by the ENTITY to the Member for such unallowable services and/or cost claims. This reimbursement requirement will survive the dissolution of this Operating Agreement and repayment will be made by the Member to the ENTITY within sixty (60) days of the ENTITY's notification to the Member. In the event that the ENTITY, MDHHS, the State of Michigan, or the Federal

government ever determines in any final revenue and expenditure reconciliation and/or any final finance or service audit that a Member has been paid inappropriately per the ENTITY's expenditures of Medicaid funds pursuant to this Operating Agreement for services claims and/or cost claims of a Member which are later disallowed, the Member will repay the ENTITY for such disallowed payments within sixty (60) days of the ENTITY's final notification.

- 4.3 **PURCHASED CENTRALIZED SERVICES.** The ENTITY will be the manager of any centralized PIHP managed care services as provided in this Operating Agreement. The ENTITY may directly provide these services or arrange for provision by an outside vendor. The ENTITY may also choose to purchase its centralized services from a Member.
- 4.4 **RISK OBLIGATIONS (INSURANCE, REINSURANCE, INTERNAL SERVICE FUND).** The ENTITY will establish and maintain an Internal Service Fund (ISF) to manage its primary risk exposure under the Medicaid Contract. The Internal Service Fund will be developed, used and maintained in a manner to comply with applicable MDHHS Contract requirements. The Internal Service Fund will be sufficient to manage the Region 3 Medicaid risk and will not exceed the amount of the shared risk corridor financing in the Medicaid Contract.
- 4.5 **BUDGETS.** Establishing Budget for the ENTITY: Consistent with Michigan Compiled Law (MCL) Section 141.412, the ENTITY shall hold a public hearing on its proposed budget. Notice of the hearing shall be by publication in newspapers of general circulation within the regional unit at least six (6) days before the hearing. The notice shall include the time and place of the hearing and shall state the place where a copy of the budget is available for public inspection. The annual budget must be presented to the Board of Directors for approval prior to the beginning of the fiscal year. Amendments to the budget must be prepared by ENTITY staff and presented to the Board of Directors for approval prior to expenditures being made and prior to year-end. The Annual Budget shall include a capital equipment budget.
- 4.6 **LOCAL MATCH OBLIGATIONS.** State Law permits a contribution from internal resources. Local funds will be used as a bona fide part of the State match required under the Medicaid program in order to increase capitation payments.
- 4.6.1 **LOCAL MATCH SUBMISSION.** Members will submit local funds as a bona fide source of match for Medicaid to the ENTITY on a quarterly basis. These

payments will be made in a reasonable timeframe to allow the ENTITY to process the local match payment to the State in accordance with the MDHHS payment schedule.

4.6.2 **LOCAL MATCH MONITORING.** The ENTITY and its Members will establish mechanisms to assure that the local match of each Member is funded and monitored no less than quarterly to assure adequacy of funding.

4.6.3 **RESPONSIBILITY TO NOTIFY.** Any Member that projects a problem or issue with local match funding will immediately notify the ENTITY Chief Financial Officer. A plan of correction will be completed and sent to the ENTITY Chief Financial Officer within ten (10) business days of the identification of the problem.

4.7 **ACCESS TO ACCOUNTING RECORDS.** The ENTITY shall maintain all pertinent financial and accounting records and evidence pertaining to this Operating Agreement based on financial and statistical records that can be verified by the Member and/or its auditors. Financial reporting shall be in accordance with generally accepted accounting principles and 2 CFR 200 (Cost Principles for State, Local and Indian Tribal Governments), as applicable to state and local governments, and as promulgated by the Governmental Accounting Standards Board (GASB).

The Members, the ENTITY Board, the Federal government, the State of Michigan, or their designated representatives shall be allowed to inspect, review, copy, and/or audit all financial records pertaining to this Operating Agreement.

4.8 **DEBT/THRESHHOLDS.** Unanimous vote of the Members shall be obtained prior to the ENTITY incurring a debt in excess of \$150,000.

ARTICLE 5 DISPUTE

5.1 **DISPUTE RESOLUTION PROCESS.** Occasionally disputes may arise that cannot be resolved through amiable discussion. Any dispute between the Members and the ENTITY related to the interpretation or application of the Bylaws of the ENTITY or this Operating Agreement will be referred to Members for consideration pursuant to the procedures set forth in Section 5.1.1 thru 5.1.4. The resolution of said dispute will be final upon Majority vote of the ENTITY Board of Directors. Disputes between Members or Member/s and the ENTITY will be resolved as provided below. Dispute resolution procedures shall be conducted in accordance with the Conflict of Interest Policy.

- 5.1.1 **Step 1.** The Chief Executive Officer/Executive Director of the Members will attempt to resolve the dispute through discussion with each other or, as the case may be, and the ENTITY Chief Executive Officer.
- 5.1.2 **Step 2.** If the dispute remains unresolved, the Chief Executive Officer/Executive Director of the Member/s or the Chief Executive Officer of the ENTITY, as the case may be, will bring the matter to the Operations Advisory Council who will discuss the matter and render a written decision. The matter will be brought to the next scheduled Operations Committee who will discuss and render a decision within 15 calendar days
- 5.1.3 **Step 3.** If the dispute continues to be unresolved to the satisfaction of the Member/s or the ENTITY, the parties will provide a written description of the issue in dispute and propose a solution to the next scheduled ENTITY Board of Directors meeting. The ENTITY Board of Directors will have thirty (30) calendar days to provide a written decision.
- 5.1.4 **Step 4.** If the Member(s) or the ENTITY remain dissatisfied, the Member(s) or the ENTITY may seek mediation, arbitration or legal recourse as provided by law.

ARTICLE 6 PLANNING AND POLICY DEVELOPMENT

The ENTITY staff will lead the strategic planning efforts for the ENTITY and the ENTITY Board of Directors. Emphasis will be on a facilitative approach, engaging Board of Directors, Members, the Operations Committee, Persons Served, and Stakeholders in the process. ENTITY staff will be responsible for making final recommendations to the ENTITY Board of Directors.

Policies will be adopted as necessary by the ENTITY Board of Directors. The ENTITY staff will be responsible for oversight and implementation of policies. Policies will be developed in conjunction with the relevant operational advisory teams and relevant committees, including the Operations Committee. Recommendations on policies will be presented by the ENTITY staff to the ENTITY Board of Directors for consideration.

ARTICLE 7 HUMAN RESOURCES

7.1. **HUMAN RESOURCES.** With the exception of any limitations noted in the Bylaws, the ENTITY, where practical, shall directly employ the ENTITY staff. By exception, the Operations Committee may advise the Chief Executive Officer regarding the use of a contract or lease arrangement to secure professional services for established positions.

The Governing Board has sole responsibility for all hiring and retention decisions regarding the ENTITY CEO. The Operations Committee shall assist the Governing Board in this process as requested.

ARTICLE 8 TERM, TERMINATION

8.1 **TERM.** The term of this Operating Agreement will commence on the last date upon which all parties hereto have executed this Operating Agreement and will continue until terminated as provided in Section 8.2.

8.2 **TERMINATION.** This Operating Agreement will terminate upon the written agreement of unanimous vote of the Members pursuant to the procedures set forth in Section 3.3.2 of the ENTITY Bylaws; provided that all outstanding indebtedness of the ENTITY will be paid, and no contract of the ENTITY will be impaired by said dissolution. As soon as possible after dissolution of this Operating Agreement, the ENTITY will close out its affairs as provided in the Bylaws.

ARTICLE 9 AMENDMENTS

Any modifications, amendments, or waivers of any provision of this Operating Agreement may be made by the written consent of an unanimous vote CMHSP Members..

ARTICLE 10 MISCELLANEOUS

10.1 **ASSIGNMENT.** No party may assign its respective rights, duties or obligations under this Operating Agreement.

10.2 **NOTICES.** All notices or other communications authorized or required under this Operating Agreement will be given in writing, either by personal delivery or certified mail (return receipt requested) or electronically.

10.3 ENTIRE AGREEMENT. This Operating Agreement, including the Exhibits attached hereto and the documents referred to herein, embody the entire agreement and understanding between the parties hereto with respect to the subject matter hereof. Except for the ENTITY's Bylaws, there are no other agreements or understandings, oral or written, between the parties with respect to the subject matter hereof and this Operating Agreement supersedes all previous negotiations, commitments and writings with respect to the subject matter hereof.

10.4 GOVERNING LAW. This Operating Agreement is made pursuant to, and will be governed by, and construed, enforced and interpreted in accordance with, the laws and decisions of the State of Michigan.

10.5 BENEFIT OF THE AGREEMENT. The provisions of this Operating Agreement will not inure to the benefit of, or be enforceable by, any person or ENTITY other than the parties and any permitted successor or assign. No other person will have the right to enforce any of the provisions contained in this Operating Agreement including, without limitation, any employees, contractors or their representatives.

10.6 ENFORCEABILITY AND SEVERABILITY. In the event any provision of this Operating Agreement or portion thereof is found to be wholly or partially invalid, illegal or unenforceable in any judicial proceeding, then such provision will be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or will be deemed excised from this Operating Agreement, as the case may require, and this Operating Agreement will be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

10.7 CONSTRUCTION. The headings of the sections and paragraphs contained in this Operating Agreement are for convenience and reference purposes only and will not be used in the construction or interpretation of this Operating Agreement.

10.8 COUNTERPARTS. This Operating Agreement may be executed in one or more counterparts, each of which will be considered an original, but together will, constitute one and the same agreement.

10.9 EXPENSES. Except as is set forth herein or otherwise agreed upon by the parties, each party will pay its own costs, fees and expenses of negotiating and consummating this Operating Agreement, the actions and agreements contemplated herein and all prior negotiations, including legal and other professional fees.

10.10 REMEDIES CUMULATIVE. All rights, remedies and benefits provided to the parties hereunder will be cumulative, and shall not be exclusive of any such rights, remedies and benefits or of any other rights, remedies and benefits provided by law. All such rights and remedies may be exercised singly or concurrently on one or more occasions.

10.11 BINDING EFFECT. This Operating Agreement will be binding upon the successors and permitted assigns of the parties.

10.12 RELATIONSHIP OF THE PARTIES. The parties agree that no party will be responsible for the acts of the ENTITY or of the employees, agents and servants of any other party, whether acting separately or in conjunction with the implementation of this Operating Agreement. The parties will only be bound and obligated under this Operating Agreement as expressly agreed to by each party and no party may otherwise obligate any other party.

10.13 NO WAIVER OF GOVERNMENTAL IMMUNITY. The parties agree that no provision of this Operating Agreement is intended, nor will it be construed, as a waiver by any party of any governmental immunity or exemption provided under the Mental Health Code or other applicable law.

ARTICLE 11

CERTIFICATION OF AUTHORITY TO SIGN THIS OPERATING AGREEMENT

The persons signing this Operating Agreement on behalf of the parties hereto certify by said signatures that they are duly authorized to sign this Operating Agreement on behalf of said parties, and that this Operating Agreement has been authorized by said parties pursuant to formal resolution(s) of the appropriate governing body(ies).

IN WITNESS WHEREOF, the parties hereto have entered into, executed and delivered this Operating Agreement as of the dates noted below.

**BYLAWS OF LAKESHORE REGIONAL ENTITY
As Amended
August 10, 2022**

**ARTICLE 1
Definitions**

1.1 BOARD OF DIRECTORS. Means the governing body of the ENTITY, appointed by the CMHSP Members.

1.2 BYLAWS. Mean rules and regulations adopted by the ENTITY that govern all ongoing activities.

1.3 CMHSP MEMBER (MEMBER). Means a Community Mental Health Service Program within the Lakeshore Regional Entity (The ENTITY is a seven-county region for whom the ENTITY is the acting PIHP).

1.4 COMMUNITY MENTAL HEALTH SERVICES PROGRAM (CMHSP). Means a program operated under Chapter 2 of the Michigan Mental Health Code as a county community mental health agency, a community mental health authority, or a community mental health organization.

1.5 ENTITY. Means the Lakeshore Regional Entity formed pursuant to 1974 P.A. 258, as amended, MCL§330.1204b, a public governmental ENTITY separates from the authority, county or organization that establishes it. (MCL §330.1204b(3)).

1.6 MDHHS. Means Michigan Department of Health and Human Services.

1.7 MENTAL HEALTH CODE. Means 1974 P.A. 258, as amended.

1.8 OPERATING AGREEMENT. Means this written agreement amongst the CMHSP Members and the ENTITY that describes the terms and conditions of the operation of the ENTITY, as approved by the CMHSP Members respective governing bodies. The ENTITY's Operating Agreement shall be incorporated in the Bylaws by reference.

1.9 PERSON SERVED. Means a person receiving services from a CMHSP Member or a provider contracted with the CMHSP Member, also referred to as Person Served.

**ARTICLE 2
PURPOSES AND POWERS**

2.1 STATUTORY AUTHORITY. Lakeshore Regional Entity (the "ENTITY") was formed as a regional ENTITY authorized pursuant to Section 204b of Michigan's Mental Health Code, Act 258 of 1974, as amended (the "Mental Health Code"), MCL § 330.1204b.

2.2 NATURE OF THE ENTITY. Pursuant to MCL § 330.1204b (3), the ENTITY is a public governmental ENTITY separate from the counties, authorities, or organizations that establish it.

2.3 PURPOSE. The ENTITY is formed for the purpose of carrying out the provisions of the Mental Health Code as set forth in these Bylaws and the Operating Agreement, relative to serving as a prepaid inpatient health plan, as defined in 42 CFR 438.2 ("PIHP"), to manage the Medicaid Specialty Support and Services Concurrent 1915(b)/(c) Waiver Programs ("Medicaid"); ensuring a comprehensive array of services and supports as provided in the PIHP Medicaid Contract with MDHHS; and exercising the powers and authority set forth in these Bylaws and the Operating Agreement. The ENTITY's primary mission is to organize its actions in a manner that preserves the local public community mental health safety net, ensure access to Medicaid services for all Eligible citizens, and support the delivery of locally accountable health care services by the participating members. If there is any conflict between the Operating Agreement and these Bylaws, the Operating Agreement shall apply. The Operating Agreement is incorporated by reference herein and attached hereto as Attachment 1.

2.4 POWERS. Except as otherwise stated in these Bylaws, the ENTITY has all of the powers provided in MCL § 330.1204b(2), including, but not limited to, the following:

2.4.1 The power, privilege, or authority that the Members share in common and may exercise separately under the Mental Health Code, whether or not that power, privilege, or authority is specified in these Bylaws.

2.4.2 The power to contract with the state to serve as the Medicaid specialty service prepaid inpatient health plan for the designated service areas of the Members.

2.4.3 The power to accept funds, grants, gifts, or services from the federal government or a federal agency, the state or a state department, agency, instrumentality, or political subdivision, or any other governmental unit whether or not that governmental unit participates in the ENTITY, and from private or civic sources which are in furtherance of the goals and objectives of the ENTITY.

2.4.4 The power to enter into a contract with one or more of the Members for any service to be performed for, by, or from one or more of the Members.

2.4.5 The power to create a risk pool and take other actions as necessary to reduce the risk that the Members otherwise bear individually.

2.4.6 The power to review, alter and approve annual capital and operating budgets and strategic plans of the ENTITY.

2.4.7 The power to calculate, assess, and collect from the Members payments attributable to their designated share of the ENTITY's costs and expenses.

2.5 MANNER OF ACTING. The Manner by which the ENTITY's purposes will be accomplished and powers will be exercised will be through the actions of the Members for those powers reserved to the Members under these Bylaws and through the actions of the Board as set forth in these Bylaws or as delegated by the Board to officers, committees or other agents as permitted by these Bylaws.

2.6 CMHSP MEMBER RETAINED POWERS. CMHSP Members shall retain all powers, rights and authority afforded community mental health services programs, organized and operated as county mental health authorities, agencies or organizations under the Mental Health Code. Only the powers and authority specifically delegated to the ENTITY under these Bylaws and as further defined under an Operating Agreement to be entered into by the CMHSP Members are transferred to the ENTITY.

ARTICLE 3 THE MEMBERS

3.1 THE MEMBERS. The CMHSP Members of the ENTITY shall be community mental health services programs, organized and operated as a community mental health authority, county community mental health agency or community mental health organization, whose designated service areas are within the Service Area and who have entered into the Operating Agreement.

3.2 CMHSP MEMBER VOTE. The CMHSP Members of the ENTITY will each have one (1) vote on those matters reserved to the CMHSP Members. The CMHSP Member's vote shall be conveyed in the form of duly adopted written resolutions of the governing body of each of the CMHSP Members.

3.3 CMHSP MEMBER RESERVED POWERS. Each CMHSP Member shall possess the powers and rights retained and reserved to the CMHSP Member under these Bylaws which shall include the power to approve through unanimous vote the following :

3.3.1 All amendments, restatements or adoption of new bylaws;

3.3.2 The Operating Agreement, any amendment thereto and its termination;

3.3.3 Any proposal of the ENTITY related to merger, consolidation, joint venture or formation of a new organization;

3.4 NEW PARTICIPATING MEMBER. New Members may be admitted by a unanimous vote of the Board. At any time that the new Member is admitted and enters into the Operating Agreement to participate in the ENTITY, the new Member will be entitled to all of the rights of governance provided in these Bylaws to the Member.

3.5 REMOVAL OF THE MEMBER. A Member may be removed from participating in the ENTITY by a unanimous vote of the other Members.

3.6 WITHDRAWAL OF THE MEMBER. Any Member may withdraw from participation with the ENTITY effective upon providing to the Chief Executive Officer of the ENTITY written notice. Notice shall be given at least 6 months prior to the end of any fiscal year. Upon the effective date of such withdrawal, the Member will have no further rights or benefits of the Member of the ENTITY. The Directors appointed or nominated by the withdrawing Member will terminate upon the effective date of the withdrawal of the Member and no replacement will be appointed nor vacancy be deemed to occur by reason of the Member withdrawal and dissolution of positions. Any Directors appointed by the Board would also be terminated if appointed by the withdrawing member. Written notice required will be a duly adopted resolution of the Member Board withdrawing from the ENTITY.

3.7 DISPUTE RESOLUTION. Dispute resolution between or among the Members and/or the ENTITY will be conducted according to the terms of the Operating Agreement, and the Conflict-of-Interest Policy, as both may be amended from time to time.

ARTICLE 4 BOARD OF DIRECTORS

4.1 GENERAL POWERS. The business, property, and affairs of the ENTITY will be managed by the Board. The Board of the ENTITY shall be a Policy Board. They shall not directly operate the ENTITY, only determine policy that the Chief Executive Officer will execute.

4.2 NUMBER. The Board of Directors shall consist of fifteen (15) Directors. Each Member shall have 3 individuals to serve on the governing board.

4.2.1 A total of three Directors will be appointed per CMHSP. Each of the Members may appoint two individuals from the Members' current Board roster to serve on the Governing Board. The composition of the three individuals per member CMHSP should be representative of the community at large, individuals served according to the Michigan Mental Health Code, and the Member CMSHP Board roster. Individuals may represent more than one of the identified groups.

4.2.2 A Director shall have their primary place of residence in the CMHSP Member's Service area;

4.2.3 A Director shall not be an employee of the Michigan Department of Health and Human Services or a community mental health services program;

4.2.4 A Director shall not be a party to a contract with a community mental health program or administering or benefitting financially from a contract with a community mental health services program;

4.2.5 A Director shall not serve in a policy making position with an agency under contract with a community mental health services program;

4.2.6 At least one (1) Director from each CMHSP Member shall be a primary person served or family member of a primary person served as defined in the Michigan Mental Health Code;

4.2.7 If the ENTITY is a Department-Designated Community Mental Health ENTITY, as defined in Section 100a(22) of 2012 P.A. 500, the Board shall also consist of representatives of mental health, developmental or intellectual disabilities and substance use disorder services as required under Section 287 of 2012 P.A. 500; and

4.2.8 Notwithstanding anything to the contrary in these Bylaws, any board member of the CMHSP Members may also serve on the ENTITY Board.

4.3 TERM. The term of office for an ENTITY Board Director shall be three (3) years from May 1st of the year of appointment. The initial ENTITY Board appointments will be staggered into one (1) year, two (2) year and three (3) year terms.

4.4 REMOVAL. The Members may remove its appointee/s to the Board at any time. The Board is responsible for informing the Member if there is a lack of participation or attendance by the Member's appointee/s. The Board may recommend to the relevant Member the removal of a Board Director for either neglect of official duty or misconduct in office, after the individual is given a written statement of the reasons for the removal and an opportunity to be heard.

4.5 RESIGNATION. Any Board Director may resign at any time by providing written notice to the ENTITY. The resignation will be effective on receipt of the notice or at a later time designated in the notice. A vacancy shall be filled for an unexpired term by the CMHSP Member in the same manner as the original appointment.

4.6 MEETINGS. The Board shall determine the frequency of meetings as required to effectively govern and operate the ENTITY and shall meet not less than quarterly.

4.7 WAIVER OF NOTICE. The attendance of a Director at a Board of Directors meeting will constitute a waiver of notice of the meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. In addition, the Director may submit a signed waiver of notice that will constitute a waiver of notice of the meeting.

4.8 MEETING BY REMOTE COMMUNICATION. A Director may participate in a meeting by teleconference, a virtual platform or other technological means that facilitate participation and the identity of the Director may be discerned and through which all persons participating in the meeting can communicate with each other. All Board Directors shall be present for in person voting. This subsection 4.8 is subject to the requirements under the Open Meetings Act.

4.9 QUORUM AND VOTING. A majority of the Board Directors then in office constitutes a quorum for the transaction of any business at any meeting of the Board.

Actions voted on by a majority of the Board Directors present at a meeting where a quorum is present shall constitute authorized actions of the Board. Each Board Director shall have one (1) vote.

4.10 PARLIAMENTARY AUTHORITY. Robert's Rules of Order shall govern all questions of procedures that are not otherwise provided for by these Bylaws, or by State law.

4.11 CONFLICT OF INTEREST. The Board of Directors will adopt a conflict-of-interest policy which will require, among other things, the disclosure to the Board Chair and any committee chair any actual or possible conflicts of interest, including but not limited to, financial interest and professional interests, and will reveal any material facts or relevant information regarding the possible conflict of interest. All Board Directors will annually disclose any conflicts of interest while serving on the Board. The Board of Directors will ensure that any disclosures are written into the minutes of the Board meeting or committee meeting as applicable.

4.12 COMPLIANCE WITH LAWS. The ENTITY and its Members, the Board of Directors, officers, staff and other employees will fully comply with all applicable laws, regulations and rules, including without limitation 1976 PA 267 (the "Open Meetings Act") and 1976 PA 422 (the "Freedom of Information Act."). The ENTITY will develop such compliance policies and procedures. In the event that any such noncompliance is found, immediate corrective action as defined in the Operating Agreement will be taken by the appropriate source to ensure compliance.

ARTICLE 5 COMMITTEES

5.1 COMMITTEES. The Governing Board shall determine the number and type of committees required to effectively govern and operate the ENTITY.

5.2 EXECUTIVE BOARD. The Executive Committee shall:

5.2.1 Consist of the Board Chair, Vice Chair, Secretary, and the other two Directors will be one from each remaining Member of who do not have an elected officer for the ENTITY.

ARTICLE 6 BOARD OF DIRECTORS OFFICERS

6.1 OFFICERS. The officers of the ENTITY will be appointed by the Board of Directors pursuant to a nomination and election process adopted by the Board. The initial officers will be a chairperson, a vice chairperson, and a secretary. No Member shall have more than one officer. Officers will be annually elected by authorized vote of the Board of Directors. The Board of Directors may choose to appoint other officers as the Board

deems appropriate. The Chief Executive Officer will be appointed by the Board of Directors.

6.2 APPOINTMENT. The election of officers of the ENTITY will occur during the annual meeting of the Board of Directors. The ENTITY Board will appoint a nominating committee for the annual meeting for the purpose of recommending officer candidates to the full Board to serve during the next twenty four (24) month period.

6.3 TERM OF OFFICE. The term of office of all officers will commence upon their election and continue for a two-year term. An officer may resign at any time upon written notice to the ENTITY Board of Directors. Notice of resignation is effective on receipt or at a time designated in the notice.

6.4 VACANCIES. A vacancy in any office for any reason may be filled by the Board of Directors. The acting officer shall fill the unexpired term of the vacancy until the next annual meeting of the ENTITY Board.

6.5 REMOVAL. An officer appointed by the Board may be removed from office with or without cause by a vote of a majority of the Board of Directors.

6.6 CHAIR. The Chair shall preside at all Board meetings. The Chair shall have the power to perform the duties of the office and as may be assigned by the Board.

6.7 VICE CHAIR. The Vice Chair shall assume the duties of the Chair in the absence of the Chair. The Vice Chair shall perform duties as assigned by the Chair or the Board. The Vice Chair shall perform all duties assigned to the office.

6.8 SECRETARY. The Secretary shall ensure completion of minutes of the ENTITY Board meetings, ensure that the notice of meetings is given to Board Directors as required by law or these Bylaws, ensure the safe storage of ENTITY records, ensure the maintenance of a register of names and addresses of all Board Directors, and ensure the completion of all required administrative filings as required by the ENTITY's legal structure, including compliance with the Open Meetings Act.

ARTICLE 7 STAFF POSITIONS

7.1 CHIEF EXECUTIVE OFFICER. The Chief Executive Officer will have the authority delegated to that position from the Board of Directors. The Chief Executive Officer may not simultaneously hold another position (employee, board member or contractor) with any Member.

7.2 FISCAL OFFICER. The Chief Financial Officer of the ENTITY shall serve as the fiscal officer as defined in MCL 330.1204b. The Chief Financial Officer shall have charge and custody over ENTITY funds and securities, maintain accurate records of ENTITY receipts and disbursements, deposit all moneys and securities received by the ENTITY at

such depositories in the ENTITY's name that may be designated by the Board and perform all duties incident to the office and as assigned by the Chief Executive Officer. The Chief Financial Officer has the responsibilities set forth in MCL 330.1204b and will be responsible for receiving, depositing, investing, and disbursing the ENTITY's funds in the manner authorized by these Bylaws and Board of Directors in accordance with the ENTITY's Operating Agreement.

7.3 OTHER OFFICER EMPLOYMENT AND POSITIONS. An officer of the Board elected by the Board of Directors may concurrently hold another office with a CMHSP Member's governing body. An officer of the Board may not hold more than one (1) office with the ENTITY at any time.

ARTICLE 8 ADVISORY BOARD

8.1 ADVISORY BOARD: The Board shall establish Advisory Boards and shall establish the purpose, membership, officers, and frequency of meetings via resolution as is necessary.

ARTICLE 9 CORPORATE DOCUMENT PROCEDURE AND ACCOUNTABILITY

9.1 FINANCIAL ACCOUNTABILITY. On an annual basis, after the completion of each fiscal year, the Board will engage an independent public accounting firm to conduct an independent audit of the ENTITY's financial status and compliance with financial policies.

9.2 REPORTS. All reports included in these Bylaws or otherwise required by the Board from time to time will be presented to the Board by delivery of same to the Chief Executive Officer, who shall be responsible for distributing such reports to the Board of Directors. Each report will be presented by the Chair to the ENTITY Board of Directors at a meeting of the Board for discussion and approval or other actions as may be required. In addition, the Chief Executive Officer of the ENTITY on behalf of the Board will provide an annual report of its activities to each Member.

ARTICLE 10 IMMUNITY/LIABILITY/INSURANCE

10.1 GOVERNMENTAL IMMUNITY. All the privileges and immunities from liability and exemptions from laws, ordinances, and rules provided under MCL § 330.1205(3) (b) of the Mental Health Code to county community mental health service programs and their board members, officers, and administrators, and county elected officials and employees of county government are retained by the ENTITY and the ENTITY Board of Directors,

advisory board members, officers, agents, and employees, as provided in MCL § 330.1204b (4).

10.2 LIABILITY. Except as otherwise required by law, these Bylaws, or any agreement between the Members or the Members and the ENTITY, the Members will not be responsible for the acts, omissions, debts or other obligations and responsibilities of the ENTITY or any other Member or the Board, employees, agents and representatives of the ENTITY or the other Members, whether acting separately or jointly under these Bylaws or pursuant to any such agreements. The Members will only be bound and obligated as expressly agreed to by each Member and no Member may otherwise obligate any other Member.

10.2.1 All liability to third parties, loss, or damage as a result of claims, demands, costs, or judgments arising out of activities to be carried out by the ENTITY will be the sole and nontransferable responsibility of the ENTITY, and not the responsibility of the Member, if the liability, loss, or damage is caused by, or arises out of, the actions or failure to act by the ENTITY, its Board directors, officers, employees or representatives; provided that nothing herein will be construed as a waiver of any governmental or other immunity that has been provided to the ENTITY or its Board directors, officers, employees or representatives, by statute or court decisions.

10.2.2 All liability to third parties, loss, or damage as a result of claims, demands, costs, or judgments arising out of activities to be carried out by the Member will be the sole and nontransferable responsibility of the Member and not the responsibility of the ENTITY, if the liability, loss, or damage is caused by, or arises out of, the actions or failure to act by the Member, its Board members, officers, directors, employees and authorized representatives; provided that nothing herein will be construed as a waiver of any governmental or other immunity that has been provided to the Member or its board members, officers, employees or representatives, by statute or court decisions.

10.2.3 Each Member and the ENTITY will obtain its own counsel and will bear its own costs including judgments in any litigation which may arise out of its activities to be carried out pursuant to its obligations under these Bylaws or any agreement between the Members or the Members and the ENTITY. It is specifically understood that no indemnification will be provided in such litigation.

10.2.4 In the event that liability to third parties, loss or damage arises as a result of activities conducted jointly under these Bylaws or any agreement between the Members or the Members and the ENTITY, such liability, loss or damages will be borne by each party in relation to each party's responsibilities under the joint activities, provided that nothing herein will be construed as a waiver of any governmental or other immunity granted to any of said parties as provided by applicable statutes and/or court decisions.

10.2.5 Under these Bylaws, it is the intent that each of the Members and the ENTITY will separately bear and will be separately responsible for only those financial obligations related to their respective duties and responsibilities.

10.3 **INSURANCE.** The ENTITY may purchase and maintain insurance on behalf of any person who is or was an ENTITY Board director, officer, employee or representative of the ENTITY, against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the ENTITY would have power to indemnify the person against such liability under these Bylaws or the laws of the State of Michigan.

10.4 **MEMBERS' FAILURE TO PAY.** The Board will regularly calculate, assess, vote on, and collect from the Members each Member's designated share of the ENTITY's cost and expenses prior to making distributions of funds to the Members, to avoid a Member's nonpayment of its designated share of the ENTITY's expenses and infringe upon the rights of the other Members (1204b(1)(h)).

ARTICLE 11 ALLOCATION OF ASSETS AND LIABILITIES

11.1 ALLOCATION. The ENTITY's assets and liabilities will be allocated to each Member as provided in the Operating Agreement, which is incorporated herein by reference, or some other agreement approved by the Members and incorporated herein by reference.

11.1.1 **REVENUES.** The ENTITY's manner for equitably providing for, obtaining, and allocating revenues derived from a federal or state grant or loan, a gift, bequest, grant, or loan from a private source, or an insurance payment or service fee will be allocated per 11.1 above.

11.1.2 **CAPITAL AND OPERATING COSTS.** The ENTITY's method or formula for equitably allocating and financing the ENTITY's capital and operating costs, payments to reserve funds authorized by law, and payments of principal and interest on obligations will be allocated per 11.1 above.

11.1.3 **OTHER ASSETS.** The ENTITY's method for allocating any of the ENTITY's other assets not otherwise provided for in these Bylaws will be allocated per 11.1 above.

11.1.4 **SURPLUS FUNDS.** The ENTITY's manner in which, after the completion of its purpose as specified in these Bylaws, any surplus funds will be returned to the Members.

11.1.5 DISSOLUTION. Should dissolution occur, the funds and assets will be distributed as agreed upon, by the Member CMHSPs, in accordance with the Medicaid Managed Specialty Supports and Services Contractual agreement.

11.1.6 SPECIAL FUND ACCOUNT. The ENTITY shall not be entitled to a Member's special fund account under MCL 330.1226a, unless that Member specifically contracts with the ENTITY for such activity or upon the revocation of the Member's community mental health services programs certification with the State of Michigan under MCL 330.1232a (1240b(1)(d)).

11.1.7 OTHER ADMINISTRATION ACTIVITIES. The Board of Directors will, on an ongoing basis, consider possible administrative efficiencies where appropriate through the recommendation of the CEO.

ARTICLE 12 SPECIAL EMPLOYMENT MATTERS

12.1 ASSUMING THE DUTIES OF MEMBERS. The ENTITY shall only assume the duties of a Member if the Member loses certification under MCL §330.1232a or the Member's Board votes to approve the ENTITY assuming specified duties. If the ENTITY assumes the duties of a Member or contracts with a private individual or ENTITY to assume the duties of a Member, the ENTITY shall comply with all of the following (1204b(7)).

12.1.1 The manner of employing, compensating, transferring, or discharging necessary personnel is subject to the provisions of the applicable civil service and merit systems and the following restrictions:

- a. An employee of the ENTITY is a public employee
- b. The ENTITY and its employees are subject to 1947 P.A. 336, MCL 423.201 to 423.217 (1204b(7)(a)).

12.2 GENERAL EMPLOYMENT PRACTICES. The manner of employing, compensating, transferring, or discharging necessary personnel is subject to the provisions of the applicable civil service and merit systems and the following restrictions:

12.2.1 An employee of the ENTITY is a public employee; and

12.2.2 The ENTITY and its employees are subject to 1947 PA 336, MCL § 423.201 to 423.217.

ARTICLE 13 CONTRACTS

13.1 CONTRACTS. The Board shall delineate the parameters within governance policies which the Chief Executive Officer of the ENTITY may enter into contracts on behalf of the ENTITY with third parties, including contracts involving the acquisition, ownership, custody, operations, maintenance, lease or sale of real personal property and the deposit, division or distribution of property acquired by the execution of a contract (1204b(1)(f)).

ARTICLE 14 FISCAL YEAR

14.1 FISCAL YEAR. The fiscal year of the ENTITY will begin on October 1 and end on September 30.

ARTICLE 15 AMENDMENTS

15.1 BYLAW AMENDMENTS. Any action by the CMHSP Members to amend or repeal these Bylaws or adopt new Bylaws will require unanimous approval by vote of the existing CMHSP Members in the form of duly adopted written resolutions from their respective governing bodies, to be binding upon the ENTITY. Notice setting forth the terms of the proposed amendment or repeal shall be given in accordance with any notice requirement for a meeting of the ENTITY Board of Directors.

15.2 FILING BYLAWS. These Bylaws, including any amendment, shall be effective only after being duly adopted in accordance with MCL 330.1204b(1) and subsequently filed with the clerk of each county in which the CMHSP Members are located and with the Michigan Secretary of State.