

# **NORTHPOINTE FINANCIAL RISK MANAGEMENT PLAN 2017**

Risk management is an ongoing process at Northpointe with the oversight and monitoring being the responsibility of the Operations Team. The Operations Team consists of: medical director, chief executive officer, clinical directors, chief financial officer, quality improvement manager, emergency services manager, human resource director, director of nursing, director of community inclusion, recipient rights officer, and board secretary. This team meets monthly and serves as the management team for all agency operations. At a minimum, all staff receives annual trainings in the areas of corporate compliance, safety, HIPPA security, and recipient rights. It is through these trainings that staffs are educated on how to bring areas of concern to the appropriate person/committee.

Meeting minutes from the Operations Team, Quality Improvement Team, Safety Committee, and various staff meetings document the efforts to identify and reduce the agency's loss exposure.

## Financial Risk

1. State General Fund Risk. Northpointe is contractually responsible for over expenditure of State General Fund dollars.
2. Medicaid Risk. Northpointe is part of the NorthCare provider network. Medicaid funds are contracted to NorthCare and all Medicaid funds in the region must be spent before there is a risk responsibility. NorthCare also maintains an Internal Service Fund available to cover risk in the region.
3. Northpointe will handle its collective risk through adopting either of the following options or a combination of the two:
  - a) Northpointe may retain a fund balance of local funds equal to or greater than the total dollar amount of the potential risk as stated above.
  - b) Northpointe may purchase re-insurance in an amount equal to the risk as stated above.
  - c) Northpointe may use a combination of local fund balance and re-insurance to fund the potential risk as stated above.

Northpointe revenues are mainly dependent on Medicaid and State General Fund allocations. Any negative change in the funding from these sources would severely impact Northpointe's financial status. Although Northpointe has limited control of these factors we keep abreast of local, State, and national issues that may impact our funding by participating in the Michigan Mental Health Board Association and the National Council for Community Behavioral Healthcare. Northpointe strives to maintain the maximum level of Medicaid savings, General Fund carry forward, and fund balance which allow us to maintain current service levels during periods of financial uncertainty. Northpointe also continues to maximize all other funding sources by billing all third party payers and individuals that have a fee. We search out grant funds and have an endowment fund. Northpointe continually monitors revenue and expenditures in an effort to assure that the fund balance remains at eight percent of our total budget.

Northpointe has implemented several policies and procedures to reduce financial risk, the primary risk areas, and controls are as follows:

- Community and State inpatient utilization risk is minimized by completing an assessment of all individuals before hospitalizations and doing timely discharge planning.
- Northpointe has adopted a procurement procedure to insure the best possible pricing available.

- Northpointe analyzes individual needs when making program changes or hiring/replacing staff.
- Northpointe conducts monthly record reviews of services compared to billing to insure services are billed to maximize revenue and to discover errors to limit potential payback situations.
- Northpointe has partnered with other Boards within our region to upgrade our financial software system at a reduced cost.

#### A. Internal Controls

1. **Written Policies & Procedures:** Northpointe shall maintain the appropriate written internal policies and procedures that ensure adequate internal controls in accordance with federal and state guidelines and in accordance with the pronouncements of the American Institute of Certified Public Accountants or other recognized professional organizations.
2. **Independent Annual Audit:** Northpointe shall employ independent external auditors to test the organization's records and systems on an annual basis. The auditor's report shall document an "unqualified" opinion on the audit report as a whole. In addition, the report shall render the auditor's opinion of the organization's internal controls to the Pre-Paid Inpatient Health Plan (PIHP). Northpointe will provide a copy of their independent audit to other affiliate members upon request. In the event Northpointe fails to achieve an "unqualified" auditor's opinion or the auditor's management letter notes deficiencies that should be addressed, Northpointe will develop a plan of correction. The plan of correction will be completed within thirty (30) days of the issuance of the certified audit report. Any needed correction will be implemented and in place no later than sixty (60) days from the issuance of the certified audit report.

#### B. Financial and Service Data Integration and Reports

1. Financial staff and the Board of Directors utilize monthly financial statements to project expenditures and to identify financial trends and budgetary concerns. Financial and service data is used to provide:
  - Revenue and expenditure projections.
  - Projections of high risk/high cost service utilization (i.e. inpatient, residential, and community living supports, etc.).
  - Service unit data is used in developing service unit cost and trending utilization patterns.
  - Medicaid eligibility determination is ensured through the electronic medical record which interfaces with eligibility files to ensure Medicaid service eligibility.
  - Identify service costs that are not Medicaid eligible due to spend downs, etc.
  - Data for the allocation of administration overhead costs.
  - Conversion of financial and service data to the Michigan Department of Community Mental Health (MDCH) reporting formats.
  - Review local match requirement to identify potential local match problems
2. Northpointe produces the following internal financial reports:
  - **Financial Statements (Monthly):** Northpointe shall issue a monthly detailed financial statement. The financial statement shall include a balance sheet, a

revenue statement, and an expenditure statement. The revenue and expenditure reports shall compare actual with budgeted figures and indicate year-to-date variances. These reports shall be issued within 30 days of the previous month end and will be distributed to the Board of Directors and administrative management staff. The Northpointe Board shall review and approve each monthly report.

- Service Utilization Reports: Northpointe shall issue service utilization reports of high cost services, which include State facility utilization, community hospital utilization, and specialized residential placement utilization. These reports shall analyze year-to-date and current month comparisons to budgeted utilization.
- State/PIHP Reports: Northpointe shall provide all financial and data reporting required as part of their contractual agreements with MDCH and the PIHP.
- Other Reports: Northpointe shall continue to identify reports that are useful or necessary to its internal managements as well as those of the PIHP.

#### C. Provider Contract Management

Northpointe provider contract management consists of the following activities:

- Maintains the provider contract boilerplate.
- Development of a Request for Proposal (RFP). The RFP will include the desired capacity and service types, provider performance standards regarding such issues as access, outreach, follow-up, care coordination, data and reporting requirements, and initial benchmarks for performance.
- Management of the RFP bidding process, including identifying the RFP review team (stakeholders will generally be highly involved), disseminating the RFP to all eligible bidders, holding a bidders conference and circulation of all official answers, selection of providers and managing the response to any appeals.
- Negotiation of initial contracts.
- Management of the contract over the life of the contract, including Provider site review by a review team.

#### D. Provider Claims

Northpointe shall establish mechanisms that assure timely receipt of provider claims that includes the following:

- Northpointe shall incorporate in their provider contracts language detailing when claims need to be submitted, where claims should be filed, and accepted billing format.
- Northpointe shall ensure that providers are paid for clean claims within 30 days of receipt of the claim. (A clean claim is one that can be processed without obtaining additional information and is not being reviewed for medical necessity).

E. Third Party Revenues

- Northpointe shall assure that all private-pay and third party payers are billed for covered services.
- Northpointe will adopt the MDCH ability to pay guidelines.
- Northpointe shall follow its policy and procedure for debt collection.

F. Coordination of Benefits

Northpointe will have appropriate policies and procedures in place to ensure that Medicaid capitation funds are used only to provide Medicaid covered services to eligible individuals and that Medicaid funds will be used only after all other sources of payment have been exhausted.

- Working Capital: Northpointe will maintain an adequate level of working capital and will communicate to the PIHP any issues or concerns regarding the level of working capital.

G. Insurance Coverage

The insurance coverage that Northpointe has through Michigan Municipal Risk Management Authority protects assets, defends adequately against claims for which Northpointe may be responsible and includes property coverage (including agency vehicles), liability needs and responsibilities for malpractice and services provided by personnel. Additional malpractice policies are in place for practitioners.

Northpointe shall review their insurance coverage at least yearly with its professional insurance broker to insure that the current coverage meets or exceeds the Board's requirements and needs. If deemed inadequate, a RFP process will be initiated.

Operations Reviewed: 4/13/17

Board Approved: 5/25/17