

NORTHPOINTE BEHAVIORAL HEALTHCARE SYSTEM (NBHS)
FINANCIAL RISK MANAGEMENT PLAN
2019-2020

Financial Risk Management is the responsibility of all NBHS staff. All staff receives annual trainings in the areas of corporate compliance, safety, HIPAA security, and recipient rights; through these trainings staff are educated on how to bring areas of concern to the appropriate person/committee. The Compliance Monitoring Team, Quality Improvement (QI) Team, Safety Committee, and the Utilization Management (UM) Team are the primarily tasked with risk identification and strategy reduction; the Leadership Team is responsible for the overall oversight and monitoring of the Financial Risk Management Plan.

Financial Risk

1. *State General Fund Risk:* NBHS is contractually responsible for over expenditure of State General Fund dollars.
2. *Medicaid Risk:* NBHS 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 maintains an Internal Service Fund available to cover risk in the region.
3. NBHS will handle its collective risk through adopting either of the following options:
 - a) NBHS 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) NBHS may purchase re-insurance in an amount equal to the risk as stated above.
 - c) NBHS may use a combination of local fund balance and re-insurance to fund the potential risk as stated above.

NBHS revenues are largely dependent on Medicaid and State General Fund allocations; any reduction in the funding from these sources would negatively impact NBHS financial stability. NBHS has limited control over the availability of funding, therefore, NBHS keep informed of Local, State, and National issues that may impact NBHS funding by participating in the Michigan Mental Health Board Association and the National Council for Community Behavioral Healthcare. NBHS 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. NBHS also continues to maximize all other funding sources by billing all third party payers and individuals that have a fee. NBHS seeks out grant funding and maintains an endowment fund, in order to provide emergency needs for individuals (i.e. rent, gift cards for food, dental assistance, etc). NBHS continually monitors revenue and expenditures in an effort to assure that the fund balance remains at eight (8) percent of the total budget.

NBHS 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;
- NBHS has adopted a procurement procedure to insure the best possible pricing available;
- NBHS analyzes individual needs when making program changes or hiring/replacing staff;
- NBHS 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;
- NBHS has partnered with other CMHSP within the region to upgrade our financial software system at a reduced cost.

A. Internal Controls

1. *Written Policies & Procedures*: NBHS 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*: NBHS 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). NBHS will provide a copy of their independent audit to other affiliate members upon request. In the event NBHS fails to achieve an "unqualified" auditor's opinion or the auditor's management letter notes deficiencies that should be addressed, NBHS 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. The Finance Director, the Leadership Team, 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, private insurance coverage, etc.
 - Data for the allocation of administration overhead costs.
 - Conversion of financial and service data to the Michigan Department of Health and Human Services (MDHHS) reporting formats.
 - Review local match requirement to identify potential local match problems.
2. NBHS produces the following internal financial reports:
 - *Financial Statements (Monthly)*: NBHS 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 thirty (30) days of the previous month end and will be distributed to the Board of Directors and the Leadership Team. The NBHS Board shall review and approve each monthly report.
 - *Service Utilization Reports*: NBHS 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*: NBHS shall provide all financial and data reporting required as part of their contractual agreements with MDHHS and the PIHP.

- *Other Reports:* NBHS 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

NBHS 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 reviews by the review team.

D. Provider Claims

NBHS shall establish mechanisms that assure timely receipt of provider claims, including the following:

- NBHS shall incorporate in the provider contracts language detailing when claims need to be submitted, where claims should be filed, and accepted billing format.
- NBHS shall ensure that providers are paid for clean claims within thirty (30) days of receipt of the claim.

E. Third Party Revenues

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

F. Coordination of Benefits

NBHS 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:* NBHS 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 NBHS has through Michigan Municipal Risk Management Authority protects assets, defends adequately against claims for which NBHS 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.

NBHS 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.

Leadership Team Reviewed: 05/16/19

Board Approved: 5/25/17