

**NORTHERN MICHIGAN REGIONAL ENTITY
BOARD EXECUTIVE COMMITTEE
12:00PM – MARCH 20, 2024
GAYLORD CONFERENCE ROOM & MICROSOFT TEAMS**

GAYLORD ATTENDEES: Ed Ginop, Gary Nowak, Don Tanner

VIRTUAL ATTENDEES: Jay O'Farrell

GUESTS: Stave Burnham, Richard Carpenter, Brian Martinus

Rehmann's "Financial Assessment Preliminary Report of Northern Lakes CMHA" was provided to Executive Committee members prior to the meeting. Mr. Carpenter clarified that the report is currently privileged and confidential and was produced as part of the management assessment of Northern Lakes CMHA (versus the forensic investigation).

Mr. Carpenter reviewed the **Report Disclosures**.

- It was recognized that both the NMRE and Northern Lakes CMHA have current, separate involvements with Rehmann. It was concluded that this does not represent a conflict of interest.
- During the performance of the management review, Rehmann staff were made aware of possible collusion by previous Northern Lakes CMHA finance staff to conceal information. The finance portion of the management review immediately halted, and a forensic investigation was recommended.

Mr. Carpenter reviewed the **Report Limitations**:

- The report does not include any results or recommendations related to the Human Resources portion of the management review. Those results will be furnished in a separate standalone report.
- The report is being released at the request of Mr. Kurtz given the nature of the recommendations and the urgency of action required by the NMRE Board of Directors. Only a partial report has been produced, limited to the MI-Choice and Integrated Health Clinic programs operating as Northern Healthcare Management. A comprehensive report on the finance portion of the management review will follow.

Mr. Carpenter reviewed the concerns and recommendations related to the **MIChoice Waiver Program**:

- The MIChoice Waiver is not a typical program run by a CMHSP nor is it contemplated in the Michigan Mental Health Code or the NLCMHA Enabling Agreements.
- There is no evidence that administrative cost reports have ever been completed/submitted; nor is there any evidence that administrative costs in 2023 were allocated to the program as required by MDHHS contracts, 2 CFR 200, or the required MDHHS Standard Cost Allocation Method.
- Failure to allocate administration in accordance with regulations results in an overallocation of administration to NMRE's Behavior Health Medicaid programs.
- The financial sustainability of MI-Choice after the allocation of administration is questionable and puts NLCMHA at risk of being able to fulfill its purpose as a CMHSP.

- **RECOMMENDATION:** NLCMHA should divest from the MI-Choice Waiver program as soon as possible, while ensuring continuity of service during a planned transition period.

Mr. Carpenter said that the best time to transition would be the beginning of the next fiscal year. This allows six months to work toward a transition. Only certain organizations can take over the MI-Choice Waiver, including the Area Agency on Aging, or the Program of All-Inclusive Care for the Elderly (PACE) Program. Details will be gathered over the next 6 months that will need to be addressed.

Mr. Martinus noted that Northern Healthcare Management, a program of NLCMHA that runs the MI-Choice Waiver Program, operates in 22 counties.

Mr. Carpenter reviewed the concerns and recommendations related to the **Integrated Health Clinic (IHC)**:

- IHCs are not typical programs run by a CMHSP.
- There is no evidence that administrative costs in 2023 were allocated to the IHC, understating the actual operating cost of the program.
- The IHC is not financially sustainable; after allocation of administration, approximately \$250,000 of local funds are required to supplement medical billing and grant revenues.
- **RECOMMENDATION:** NLCMHA should divest from the Integrated Health Clinic as soon as possible.

Mr. Carpenter acknowledged that the recommendation for both programs is very similar, but for different reasons. The IHC initially had partnered with a physical healthcare provider. At some point, that provider pulled out of the project. It is Mr. Carpenter's opinion that the IHC should have dissolved at that time.

Executive Committee members agreed that NLCMHA should focus its funding on core CMHSP business. Mr. Kurtz asked that Mr. Carpenter stressed to the NLCMHA Board that these programs could put the core CMHSP services in jeopardy as the financial review continues.

NMRE Legal Counsel, Steve Burnham, verified that the NMRE is taking the right steps, in the right order, at the right pace. Mr. Burnham stressed that the investigation of Northern Lakes CMHA is ongoing.

Mr. O'Farrell suggested that there be one person appointed to speak to the media.

MOTION BY GARY NOWAK TO ACCEPT THE RECOMMENDATIONS FROM REHMANN AS CONTAINED IN THE "FINANCIAL ASSESSMENT PRELIMINARY REPORT OF NORTHERN LAKES CMHA" AND TO ALLOW THE REPORT TO BE PRESENTED TO THE NORTHERN LAKES CMHA BOARD OF DIRECTORS ON MARCH 21, 2024; SUPPORT BY ED GINOP. MOTION CARRIED.

The meeting adjourned at 12:37PM.