

**NORTHERN MICHIGAN REGIONAL ENTITY  
BOARD OF DIRECTORS MEETING  
10:00AM – MAY 28, 2025  
GAYLORD BOARDROOM**

|                           |                                                                                                                                                                                                                                                                                                         |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ATTENDEES:</b>         | <b>Bob Adrian, Ed Ginop, Karen Goodman, Gary Klacking, Dana Labar, Mary Marois, Michael Newman, Jay O’Farrell, Ruth Pilon, Don Smeltzer, Don Tanner, Chuck Varner</b>                                                                                                                                   |
| <b>VIRTUAL ATTENDEES:</b> | <b>Eric Lawson</b>                                                                                                                                                                                                                                                                                      |
| <b>ABSENT:</b>            | <b>Tom Bratton, Karla Sherman</b>                                                                                                                                                                                                                                                                       |
| <b>NMRE/CMHSP STAFF:</b>  | <b>Bea Arsenov, Brian Babbitt, Carol Balousek, Brady Barnhill, Melissa Bentgen, Eugene Branigan, Ann Friend, Kevin Hartley, Lisa Hartley, Chip Johnston, Eric Kurtz, Stacy Maiville, Brian Martinus, Brie Molaison, Diane Pelts, Brandon Rhue, Nancy Rhue, Nena Sork, Denise Switzer, Deanna Yockey</b> |
| <b>PUBLIC:</b>            | <b>Anonymous (3), Erin Barbus, Dave Freedman, Genevieve Groover, Christina Schaub</b>                                                                                                                                                                                                                   |

**CALL TO ORDER**

Let the record show that Board Chairman, Gary Klacking, called the meeting to order at 10:00AM.

**ROLL CALL**

Let the record show that Tom Bratton and Karla Sherman were excused from the meeting on this date. All other NMRE Board Members were in attendance either virtually or in Gaylord.

**PLEDGE OF ALLEGIANCE**

Let the record show that the Pledge of Allegiance was recited as a group.

**ACKNOWLEDGEMENT OF CONFLICT OF INTEREST**

Let the record show that no conflicts of interest to any of the meeting Agenda items were declared.

**APPROVAL OF AGENDA**

Let the record show that the PIHP Bid Out was added under “New Business.”

**MOTION BY DON TANNER TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS MEETING AGENDA FOR MAY 28, 2025 AS AMENDED; SUPPORT BY CHUCK VARNER. MOTION CARRIED.**

**APPROVAL OF PAST MINUTES**

Let the record show that the April minutes of the NMRE Governing Board were included in the materials for the meeting on this date.

**MOTION BY DON TANNER TO APPROVE THE MINUTES OF THE APRIL 23, 2025 MEETING OF THE NORTHERN MICHIGAN REGIONAL ENTITY BOARD OF DIRECTORS; SUPPORT BY JAY O'FARRELL. MOTION CARRIED.**

CORRESPONDENCE

- 1) Article from Pew Research Center dated May 15, 2025 titled, "Michigan Models New Approach to Treating Alcohol and Stimulant Use Disorders: Policymakers Expand Opioid Use Disorder Health Homes, Improve Care for People with Other Substance Use Disorders."
- 2) Infographic from the Community Mental Health Association of Michigan (CMHAM) titled, "Drivers of Budget Shortfalls in Michigan's Public Mental Health System."
- 3) A letter from Bay Arenac Behavioral Health to Elizabeth Hertel, Director of the Michigan Department of Health and Human Services (MDHHS), dated May 1, 2025, encouraging MDHHS direct outreach to counties prior to any final PIHP procurement decisions.
- 4) A letter from Terry Pechacek, the Chair of the Centra Wellness Board of Directors, to NMRE Board Chair, Gary Klacking, dated May 12, 2025, supporting Mr. Klacking and Mr. Kurtz in "taking all necessary steps to protect the solvency of the NMRE and maintain a strong internal service fund (ISF)."
- 5) Notice from the NMRE of a Request for Proposals (RFP) for SUD Prevention providers for Benzie, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties for fiscal year 2026.
- 6) Email correspondence from CMHAM CEO, Robert Sheehan, dated May 9, 2025, opposing MDHHS's plan to pay the full Prospective Payment System (PPS) payment directly to the state's PIHPs beginning in fiscal year 2026.
- 7) The draft minutes of the May 14, 2025 regional Finance Committee meeting.

Mr. Kurtz drew attention to the article from Pew Research Center in which NMRE Quality Manager, Heidi McClenaghan, was quoted about the Substance Use Disorder (SUD) Health Home program for alcohol, opioid, and stimulant use disorders.

Mr. Kurtz acknowledged the letter from Terry Pechacek, the Chair of the Centra Wellness Board of Directors and the memorandum addressing the NMRE's Request for Proposals (RFP) for SUD Prevention providers.

ANNOUNCEMENTS

Let the record show that new Board Member, Dana Labar, appointed by Northeast Michigan Community Mental Health Authority, was introduced.

PUBLIC COMMENT

Let the record show that the members of the public attending the meeting virtually were recognized.

REPORTS

**Executive Committee Report**

Let the record show that no meetings of the NMRE Executive Committee have occurred since the April Board Meeting.

## CEO Report

The NMRE CEO Monthly Report for May 2025 was included in the materials for the meeting on this date. Mr. Kurtz highlighted his presentation to the Northeast Michigan CMHA Board of Directors during its May 8<sup>th</sup> Strategic Planning Meeting and the NMRE's Day of Education on May 22<sup>nd</sup>.

## March 2025 Financial Report

- Net Position showed a net deficit for Medicaid and HMP of \$823,262. Carry forward was reported as \$736,656. The total Medicaid and HMP Current Year surplus was reported as \$1,559,918. The total Medicaid and HMP Internal Service Fund was reported as \$20,576,156. The total Medicaid and HMP net surplus was reported as \$22,136,074.
- Traditional Medicaid showed \$105,664,242 in revenue, and \$103,225,423 in expenses, resulting in a net surplus of \$2,438,819. Medicaid ISF was reported as \$13,514,675 based on the current FSR. Medicaid Savings was reported as \$0.
- Healthy Michigan Plan showed \$13,276,682 in revenue, and \$14,892,239 in expenses, resulting in a net deficit of \$1,615,557. HMP ISF was reported as \$7,068,394 based on the current FSR. HMP savings was reported as \$736,656.
- Health Home showed \$1,690,492 in revenue, and \$1,336,532 in expenses, resulting in a net surplus of \$353,960.
- SUD showed all funding source revenue of \$14,356,224 and \$11,138,267 in expenses, resulting in a net surplus of \$3,217,957. Total PA2 funds were reported as \$4,970,104.

PA2/Liquor Tax was summarized as follows:

| Projected FY25 Activity |                   |                   |                          |
|-------------------------|-------------------|-------------------|--------------------------|
| Beginning Balance       | Projected Revenue | Approved Projects | Projected Ending Balance |
| \$4,765,231             | \$1,847,106       | \$2,150,940       | \$4,461,397              |

| Actual FY25 Activity |                  |                      |                        |
|----------------------|------------------|----------------------|------------------------|
| Beginning Balance    | Current Receipts | Current Expenditures | Current Ending Balance |
| \$4,765,231          | \$835,755        | \$630,882            | \$4,970,104            |

A PIHP rate setting meeting is scheduled for May 29<sup>th</sup>. The state is expected to announce that it is pulling Certified Community Behavioral Health Clinics (CBHC) out of the PIHP prospective payment system (PPS); the PPS would then flow directly to the CCBHCs.

Ms. Yockey drew attention to the drop in Medicaid eligibles in FY25, particularly in the Disabled, Aged, and Blind (DAB) category. It was noted that DABs are paid at a rate of \$391 versus \$66 for Healthy Michigan Plan (HMP) and \$51 for Temporary Assistance for Needy Families (TANF). Despite the decline in eligibles, revenue has increased due to a slight increase in rates.

**MOTION BY JAY O'FARRELL TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY MONTHLY FINANCIAL REPORT FOR MARCH 2025; SUPPORT BY ED GINOP. ROLL CALL VOTE.**

**"Yea" Votes:** R. Adrian, E. Ginop, K. Goodman, G. Klacking, D. Labar, M. Marois, M. Newman, J. O'Farrell, R. Pilon, D. Smeltzer, D. Tanner, C. Varner

**"Nay" Votes:** Nil

**MOTION CARRIED.**

**Operations Committee Report**

The draft minutes from May 13, 2025 were included in the materials for the meeting on this date.

CMHSP Cost Containment Plans

The NMRE received cost containment plans from the five member CMHSPs by the May 1<sup>st</sup> deadline. All but Northern Lakes' plan were approved by their respective Boards of Directors. Northern Lakes' plan was presented to its Board on May 15<sup>th</sup>; however, additional information was requested. It is expected to be approved during a special meeting of the Board on June 9<sup>th</sup>.

**NMRE SUD Oversight Committee Report**

The draft minutes from May 5, 2025 were included in the materials for the meeting on this date. Liquor tax requests will be presented for approval under the following agenda item.

NEW BUSINESS

**PA2 Requests**

The following liquor tax requests were recommended for approval by the NMRE Substance Use Disorder Oversight Committee on May 5, 2025.

|    | <b>Requesting Entity</b> | <b>Project</b>        | <b>County</b> | <b>Amount</b> |
|----|--------------------------|-----------------------|---------------|---------------|
| 1. | Charlevoix County Jail   | Individual Counseling | Charlevoix    | \$21,000      |

|    | <b>Requesting Entity</b>    | <b>Project</b>                     | <b>County</b> | <b>Amount</b> |
|----|-----------------------------|------------------------------------|---------------|---------------|
| 2. | Community Recovery Alliance | Community Center and Peer Services | Emmet         | \$103,509     |

**MOTION BY CHUCK VARNER TO APPROVE THE REQUESTS FROM THE CHARLEVOIX COUNTY JAIL AND COMMUNITY RECOVERY ALLIANCE IN THE TOTAL AMOUNT OF ONE HUNDRED TWENTY-FOUR THOUSAND FIVE HUNDRED NINE DOLLARS (\$124,509.00); SUPPORT BY DON TANNER. MOTION CARRIED. ROLL CALL VOTE.**

**"Yea" Votes:** R. Adrian, E. Ginop, K. Goodman, G. Klacking, D. Labar, M. Marois, M. Newman, J. O'Farrell, R. Pilon, D. Smeltzer, D. Tanner, C. Varner

**"Nay" Votes:** Nil

**MOTION CARRIED.**

**NMRE Compliance Plan**

The NMRE's "Compliance Program Description and Workplan for Fiscal Year 2025" was included in the materials for the meeting on this date.

NMRE Compliance and Customer Services Officer, Brie Molaison, drew the Board attention to the goals portion of the FY25 Compliance Workplan.

- Goal 1. Strengthen the quarterly reporting elements to the Office of the Inspector General (OIG).
- Goal 2. Provide deeper review of trends discovered during the Medicaid Encounter Verification (MEV).
- Goal 3. Strengthen compliance with federal and state laws regarding Adverse Benefit Determinations (ABD) sent to beneficiaries of the NMRE region.
- Goal 4. Update training material.
- Goal 5. Create new policies and procedures, if needed, and update some existing policies to ensure the effectiveness of the Compliance Program.

It was noted that several objectives were listed under each goal. Mr. Labar commented that goals should be measurable and provide specific targets/percentages. Mr. Kurtz responded that the NMRE is required to provide specific data on a number of other measures (performance indicators, HEDIS, performance bonus incentive program standards).

**MOTION BY BOB ADRIAN TO APPROVE THE NORTHERN MICHIGAN REGIONAL ENTITY COMPLIANCE PROGRAM DESCRIPTION AND WORKPLAN FOR FISCAL YEAR 2025; SUPPORT BY DON SMELTZER. MOTION CARRIED. Bob/Don S.**

#### **PIHP Bid Out**

The anticipated PIHP RFP requirements, PIHP map (3 Regions), and a letter from the Michigan Association of Counties (MAC) to Governor Whitmer expressing strong concerns with MDHHS' proposal to solicit bids for the state's Prepaid Inpatient Health Plan (PIHP) contracts were distributed to Board Members on this date. MDHHS plans to issue a competitive procurement process for PIHPs in the summer of 2025, with the intent of a service start date of October 1, 2026. It was noted that current public entities are excluded from bidding. Potential contractors will be required to have a separate and distinct board structure that is not shared with any contracted provider entity.

Mr. Kurtz acknowledged that similar efforts have failed in the past. CMHAM is encouraging the public to contact legislators to oppose the PIHP procurement process. Opposition is occurring by means of a three-prong approach: legal, political, and financial.

#### OLD BUSINESS

##### **Northern Lakes CMHA Update**

Mr. Kurtz and Mr. Tanner attended County Administrators' Dispute Resolution meetings on April 25<sup>th</sup> and May 12, as required by the Northern Lakes CMHA Enabling Agreement. The County Administrators expressed concern about the ongoing forensic investigation and the fact that the Northern Lakes CMHA Board did not pass a balanced budget for FY25. Clarification was made that the counties (Crawford, Grand Traverse, Leelanau, Missaukee, Roscommon, and Wexford) are responsible for any financial deficit incurred by NLCMHA. An approved cost containment plan is needed to avoid further action.

Ms. Pelts asked Mr. Kurtz to address the impact of Northern Lakes' current spending on the other four member CMHSPs. Mr. Kurtz explained that Northern Lakes will likely be \$8M - \$9M overspent this year. The deficit will need to be paid using the NMRE's Internal Service Fund (ISF), which is

intended for risk. The NMRE has no mechanism to build back the ISF. This means that although the other CMHSPs have contributed to the ISF, there will be no funds available to them in the future if Northern Lakes CMHA spending continues at its current rate.

Mr. Kurtz announced that Mr. Martinus' term as Interim CEO will end on June 30, 2025.

### **FY25 PIHP Contract Injunction and Complaint Update**

The complaint filed by Taft, Stettinius & Hollister, LLP, on behalf of Northcare Network Mental Health Care Entity, Northern Michigan Regional Entity, Community Mental Health Partnership of Southeast Michigan, and Region 10 PIHP (Plaintiffs) against the State of Michigan, State of Michigan Department of Health and Human Services, a Michigan State Agency, and its Director, Elizabeth Hertel, in her official capacity (Defendants) is currently in a waiting period pending the appointed judge's decision.

### PRESENTATION

#### **FY24 Compliance Audit**

Christina Schaub, CPA with Roslund, Prestage, and Company, was in attendance via Teams to present to present the results of the NMRE's FY24 Financial Audit. Ms. Schaub provided the following opinion:

"We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Northern Michigan Regional Entity (the Entity), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents."

"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Entity, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America."

Ms. Schaub thanked the NMRE Team for their work and assistance in completing the audit.

**MOTION BY CHUCK VARNER TO ACCEPT THE NORTHERN MICHIGAN REGIONAL ENTITY'S FISCAL YEAR 2024 FINANCIAL AUDIT REPORT BY ROSLUND, PRESTAGE, AND COMPANY, PC AS PRESENTED AND REVIEWED ON THIS DATE; SUPPORT BY DON SMELTZER/ MOTION CARRIED.**

### COMMENTS

#### **Board**

Mr. Tanner commented that Mr. Martinus was placed as Interim CEO of Northern Lakes CMHA to "right the ship." He encouraged the NLCMHA Board to recognize Mr. Martunus' talents and role and support the cost containment recommendations.

Mr. Smeltzer noted that, regarding Northern Lakes CMHA, there is not always one right answer, but the Board needs to make a policy choice. Time will tell if it is right.

**Staff/CMHSP CEOs**

Mr. Kurtz thanked the CMHSP CEOs for the efforts put into their cost containment plans.

Mr. Johnston shared that he is gathering information regarding the history of the public mental health system to post to the CMHAM website.

**NEXT MEETING DATE**

The next meeting of the NMRE Board of Directors was scheduled for 10:00AM on June 25, 2025.

**ADJOURN**

Let the record show that Mr. Klacking adjourned the meeting at 11:35AM.