



POLICY AND PROCEDURE MANUAL

SUBJECT Costing Policy	ACCOUNTABILITY	Effective Date: 10/01/21	Pages: 2
REQUIRED BY 2 CFR, Part 200 Governmental Accounting Standard Bulletin (GASB) 34	The Northern Michigan Specialty Supports and Services Contract with the State of Michigan	Last Review Date:	Past Review Date:
Policy: <input checked="" type="checkbox"/> Procedure: <input type="checkbox"/>	Review Cycle: Annual Author: CFO	Responsible Department: Finance	Reviewers: Internal Operations/CEO

Definitions

Community Mental Health Services Program (CMHSP): For the purposes of this document, a CMHSP member is one or more of the following: AuSable Valley Community Mental Health Authority, Centra Wellness Network, North Country Community Mental Health, Northeast Michigan Community Mental Health Authority, and Northern Lakes Community Mental Health Authority.

Michigan Department of Health and Human Services (MDHHS): The principal department of the state of Michigan, headquartered in Lansing, which provides public assistance, child and family welfare services, and oversees health policy and management.

Northern Michigan Regional Entity (NMRE): The PIHP for Region 2, the 21-counties located in Michigan's northern lower peninsula.

Prepaid Inpatient Health Plan (PIHP): A term contained in federal regulations from the Centers for Medicare & Medicaid Services. Michigan has ten (10) PIHPs, responsible for managing the Medicaid resources for behavioral health and intellectual/developmental disabilities services for Medicaid and Healthy Michigan enrollees

UNC: Unit Net Cost

Purpose

The Northern Michigan Regional Entity (NMRE) Costing Policy is established to:

- Define the responsibility for a unit costing system

- Define the responsibility for comparison of Member Community Mental Health Services Program (CMHSP) rates with other Prepaid Inpatient Health Plan (PIHP) rates within the state, and
- Define the responsibility for regular review of unit cost data to ensure that unit costs are reasonable and customary.

Policy

- A. Each member Community Mental Health Services Program (CMHSP) will calculate unit costs on an annual basis.
 1. Unit costs will be calculated using full accrual accounting and encounter data services.
 2. Unit costs will be calculated based on total costs, which are reflective of staff time, associated with services provided, less PIHP administrative costs.
- B. Each member CMHSP will incorporate unit costs into Encounter Quality Initiative (EQI) reports:
 1. Each member CMHSP will submit EQI reports to the NMRE based on the schedule identified in the NMRE's Specialty Supports and Services Contract with the State of Michigan and agreed upon by the NMRE regional Chief Finance Officers.
 2. The NMRE will compile data into one report for submission to MDHHS.
 3. Beginning in fiscal year 2022, CMHSPs will incorporate, as applicable MDHHS Independent Rate Model (IRM) and Standard Cost Allocation (SCA) guidelines as they comport with part 2 CFR part 200 GASB 34.
- C. The NMRE will compare regional rates to rates throughout the state on an annual basis:
 1. Annual submission by MDHHS of EQI data by region will be reviewed by the NMRE if available to determine codes where the NMRE region is a cost outlier.
 2. For those codes where the NMRE region is a cost outlier:
 - a. The NMRE will determine, from EQI reports, which CMHSP(s) within the region is an outlier, and:
 - Request steps from the outlier CMHSP(s) that will be taken to bring costs within range;
 - Request reasons from the outlier CMHSP(s) why its program cannot or should not be modified, including an analysis of a wide range of data (program model, business model, clinical model, other client services, geographic disparities, and/or productivity issues).
 - b. The NMRE may find that the review of outliers is not needed if the regional costs of such services are not material.
- D. The NMRE will provide opportunities to learn from others by providing comparison data of PIHPs across the state and comparison data of CMHSPs within the region.

Approval Signature



NMRE Chief Executive Officer

10/01/21

Date