

**NORTHERN MICHIGAN REGIONAL ENTITY
ADMINISTRATIVE MANUAL**

POLICY NAME: INTERNAL SERVICE FUNDS POLICY
CHAPTER: EIGHT - FINANCE
POLICY #: 08-01-006
EFFECTIVE DATE: January 1, 2014

PURPOSE

To ensure sound financial management of Internal Service funds.

APPLICATION

All Northern Michigan Regional Entity finance department.

POLICY

It is the policy of the Northern Michigan Regional Entity (NMRE) to establish and Internal Service Fund for Manage Care Risk Financing. A set of self-balancing accounts shall be maintained for the Internal Service fund in compliance with Generally Accepted Accounting Principles (GAAP). The Fund will have its own separate bank account.

The Fund shall meet the requirements of Governmental Accounting Standards Boards (GASB) Statement No. 10 and Office of Management and Budget (OMB) Circular A-87.

The NMRE shall not co-mingle the Internal Service Fund with funds of other departments, agencies, governmental funds, or entities. The Internal Service Fund shall not be used to finance any activities or costs other than Internal Service Fund eligible expenses.

The purpose of the Medicaid Managed Care Risk Financing Fund is to secure funds necessary to meet expected future risk corridor financing requirements under the Medicaid Managed Specialty Supports and Service Contract. The maximum risk in the Medicaid Managed Specialty Supports and Service Contract in any one year is 7.5% of the Medicaid managed Care Payments. The NMRE cannot tap the Medicaid Managed Care Risk Funds unless actual accrued Medicaid expenditures exceed 100% of the accrued capitation payments in any one year and any Medicaid revenue carried forward from the previous year has been spent. The risk pool contribution will never be returned to the General Fund except to cover losses associated with managed care risk, or in the event the fund becomes over funded for the intended purpose that it was developed.

In the event that the Managed Care Risk Fund becomes inadequate to cover future losses due to over expenditure, the NMRE shall increase the payments to the Internal Service Funds based on availability of funds. Increases to the Internal Service Fund shall be based on actuarial principals, actual historical cost experiences, or reasonable historical cost assumptions.

Payments to the Internal Service Fund will be reviewed annually.

REFERENCE

- Medicaid Managed Specialty Supports and Services Contract

- Generally Accepted Accounting Principles for Governmental Units (GAAP)
- OMB Circular A-97

REVISED:

REVIEWED:

APPROVED: June 19, 2013

Signed copy is on file with NMRE

Dave Schneider
Northern Michigan Regional Entity Chief Executive Officer

Date

Signed copy is on file with NMRE

Joe Stone
Northern Michigan Regional Entity Board Chair

Date