



STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
LANSING

RICK SNYDER  
GOVERNOR

NICK LYON  
DIRECTOR

December 10, 2015

Jeff Brown, Interim Director  
Lakeshore Regional Entity PIHP  
376 E. Apple Avenue  
Muskegon, MI 49442

Dear Mr. Brown:

On July 8, 2015 I sent correspondence to former Lakeshore Regional Entity Pre-paid Inpatient Health Plan (PIHP) Director Rich Vandenneuvel that identified the Michigan Department of Health and Human Services' rationale for having a programmatic review completed on the PIHP's performance of managed care functions. As you are aware, Beacon Health Options, the Department's contracted provider for that function, has conducted and completed that programmatic review and produced a report with detailed findings and recommendations.

A copy of that report is attached to this correspondence. The report's findings and recommendations focused on three key areas: managed care functions; risk management strategy; and conflict of interest. The nature and scope of the findings in the report raise legitimate concerns about the ability of the Lakeshore Regional Entity PIHP to effectively meet the performance required in their contract with the Department.

The Michigan Department of Health and Human Services has not yet determined if the report findings warrant a decision as to whether the PIHP can effectively address and correct the identified issues in a manner that assures the PIHP's short and long-term viability, or whether evaluation and pursuit of alternative means of having the managed care functions for the region performed is necessary.

One of the factors involved in that decision will be the PIHP's response to the report findings and the corrective actions that will be taken to address them, including the time frames for initiating and achieving key corrective actions. The Department has attached a plan of correction template to guide and focus Lakeshore Regional Entity's response to the Beacon Health Options report.

The plan of correction template identifies the specific report findings and recommendations the Department is requesting Lakeshore Regional Entity to address. You will note that the template doesn't include every one of the Beacon Health Option report's findings and recommendations. Some of the report's findings and recommendations were directed towards the Department and those have not been included in the template.

Lakeshore Regional Entity will need to submit a corrective action plan using the template. That submission is due on or before January 25, 2016. That due date reflects the Department's granting of an additional fifteen days for the submission in consideration of the impact of the December and January

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holidays on the time available for Lakeshore Regional Entity to prepare, review and submit the corrective action plan.

As noted earlier, the importance of this corrective action plan and its direct bearing on the Department's next steps cannot be over emphasized. I plan on attending the next two Lakeshore Regional Entity board meetings to monitor the status of the development and submission of the plan of correction, as well as to provide any information and clarification that might be helpful in its development.

Please feel free to contact me if you have any questions concerning this matter.

Sincerely,



Thomas J. Renwick, Director  
Bureau of Community Based Services  
Behavioral Health and Developmental Disabilities Administration

Attachments: Beacon Health Options Report  
Plan of Correction Template

Cc: Lynda Zeller  
I. John Snider, LRE Board Chair