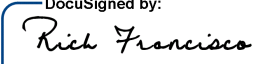




Policy/Procedure Title: Financial Management Policy	Policy and Procedure: 03-027	<u>Review Dates</u>	
Category: Finance Subject: To maintain an adequate and acceptable level of financial management.	Prepared by: Name: Brandy Carlson Title: Chief Executive Officer Approved by: DocuSigned by:  <small>AA7EBD48ABB04A3...</small> Rich Francisco, Executive Director		
	Effective Date: 1/01/2026	Last Revised Date:	

I. POLICY

To maintain an adequate and acceptable level of financial management, including revenue and expense projections for all community mental health and certified community behavioral health clinic activities.

II. PROCEDURES

A. Internal Controls and Audits

1. Written Policies and Procedures

HealthWest shall maintain the appropriate written internal policies and procedures that ensure adequate internal controls in accordance with the pronouncements of the Government Accounting Standards Board.

2. Independent Annual Audit

- a. A comprehensive financial audit and Federal Single Audit of HealthWest shall occur annually in accordance with State and Federal regulations. Audits will be performed by certified public accountants who are licensed to practice in the State of Michigan and are in good standing with the Michigan Board of Accountancy.
- b. HealthWest will obtain an independent financial audit annually which will clearly indicate the operating results for the reporting period and the financial position at the end of the fiscal year. A copy of the audit report and management letter shall be submitted to the Lakeshore regional Entity (LRE) within six months after the end of the fiscal year. A copy of the audit report shall be filed with the Michigan State Treasurer and the Michigan Department of Health and Human Services (MDHHS) within the timelines established by the State of Michigan.

3. Compliance Examination

HealthWest shall obtain an independent compliance examination annually. The examiner will issue an opinion as to whether the examined organization has complied, in all material respects, with the specified requirements described in MDHHS's Compliance Examination Guidelines. A copy of the compliance report shall be submitted to the LRE.

4. Plan of Correction: In the event of deficiencies, a corrective plan shall be submitted to LRE and implemented within 30 days of identification.

In the event a member receives a management letter from the auditor noting deficiencies the member shall prepare a written response to the management letter and submit a copy to the LRE.

B. Annual Budgets

1. It is County policy for all funds to have a balanced budget either by having revenues greater than or equal to expenditures or by allowing the use of excess fund equity/net positions. For any fund falling within the State of Michigan definition of a deficit condition, a deficit elimination plan must be submitted to the County Board of Commissioners and the State of Michigan Treasury Department following prescribed State rules.
2. In accordance with Public Act 621, the Uniform Budgeting and Accounting Act, HealthWest shall adopt a budget through the annual County budget process, which concludes with the approval of an annual Appropriation Ordinance by the Board of Commissioners. Budget amendments after adoption of the Appropriation Ordinance require Board approval at the fund level.
3. Consistent with Michigan Compiled Law (MCL) Section 141.412, the LRE and members shall hold a public hearing on its proposed budget. Notice of the hearing shall be by publication in a newspaper of general circulation within the local unit at least 6 days before the hearing. The notice shall include the time and place of the hearing and shall state the place where a copy of the budget is available for public inspection.
4. The annual budget must be presented to the appropriate board for approval prior to the beginning of the fiscal year. Amendments to the budget must be presented to the appropriate board for approval prior to expenditures being made and prior to year-end.

C. Integration of Financial and Service Data: Financial and service data shall be integrated to project revenue, monitor high-risk services, develop unit costs, and ensure Medicaid eligibility compliance.

1. Financial staff shall utilize monthly financial statements to project revenue and expenditure and to identify financial trends and potential budgetary concerns.
2. Financial and service data integration shall be used to:
 - a. Project revenue and expenditure
 - b. Project utilization of high risk/high-cost services (i.e. inpatient, residential, and community living support, etc.).
 - c. Develop service unit costs and trending utilization patterns.
 - d. Determine Medicaid eligibility through an interface with the State Medicaid Data Exchange Gateway (DEG) eligibility files; generate reports to identify Medicaid

services and the related cost of those services.

- e. Identify service costs that are not Medicaid eligible due to spend-downs, etc.
- f. Provide data for allocation of administrative overhead cost.
- g. Provide financial and service data to the MDHHS utilizing state formats.
- h. Review Medicaid and local match requirements against projected availability of local revenues to identify potential local match problems.

D. Financial Management Reports

1. Financial statements shall be generated and published monthly and distributed as appropriate to the respective board of directors and administrative management staff.
2. HealthWest shall identify and establish internal financial reports necessary for the early identification of potential problem areas. Financial reports that shall be provided to the County Health and Human Services Committee, MDHHS and LRE. Financial reports submitted to LRE include, but are not limited to, the following:
 - a. Financial Reports – Each member shall provide to the LRE year-to-date and projected annual savings (deficit) for Medicaid, general fund, and local match each month beginning with January. This report shall be issued and transmitted to the LRE based on the schedule developed by the regional finance committee.
 - b. State Reporting – HealthWest shall provide to the LRE all financial and data reporting required as part of the operating agreement between the LRE and HealthWest.
 - c. All information and data shall be provided to the LRE by a mutually agreed upon electronic format that will allow the efficient incorporation of the member information into the regional reporting.
 - d. Financial reports that shall be provided by the LRE include, but are not limited to, the following:
 1. DEG Reports – The LRE shall download monthly DEG data taken from the State's Medicaid information system and subsequently download that data to HealthWest. This download shall occur within seven working days of the data being available to LRE.
 2. The LRE shall issue monthly reports that provide analysis of the trends related to Medicaid eligibility. At a minimum, the reports shall include a projection of Medicaid capitation payments for the fiscal year as well as other information necessary for the risk management of the regional capitation obligation.

E. Sub-Capitation Payment Distribution Methodology

The LRE shall distribute Medicaid capitation payments consistent with the operating agreement.

F. Provider Claims

A clean claim is one that can be processed without additional information from the provider or third party. It excludes claims under fraud investigation or medical necessity review. Providers must submit claims within 90 days of service month; clean claims must be paid within 30 days.

1. At a minimum, the provider claim process shall mandate that:
 - a. A claim submitted more than 90 days following the end of the month calendar in which the service was rendered may not be paid. All claims that have not met the clean claim criteria within one year from date of service may not be paid.
 - b. A clean claim is one that can be processed without obtaining additional information from the provider of the service or a third party. It does not include a claim from a provider who is under investigation for fraud or abuse, or a claim under review for medical necessity.
 - c. HealthWest shall ensure that providers are paid for clean claims within 30 days of receipt of the claim. As a benchmark, all members should collect and monitor data that assures 90% of all claims are processed within 30 days of receipt, and 99% are processed within 90 days of receipt.

G. Third Party Revenues

HealthWest shall establish mechanisms to ensure that all private pay and third-party payers are billed for covered services. HealthWest shall establish fee policies and procedures.

H. MDHHS Uniform Billing and Electronic Claims

HealthWest shall implement the MDHHS Uniform Billing mandates including the ability to accept electronic submissions.

I. Local Match Obligation

The State of Michigan's appropriation act permits a contribution from internal resources. Local funds shall be used as a bona fide part of the state match required under the Medicaid program to increase capitation payments.

- a. Local Match Submission – HealthWest shall submit local funds as a bona fide source of match for Medicaid to the LRE on a quarterly basis. These payments shall be made in a reasonable timeframe to allow the LRE to process the local match payment to the State in accordance with the MDHHS payment schedule.
- b. Local Match Monitoring – The LRE and HealthWest shall establish a mechanism to assure that the local match is funded and monitored no less than quarterly to assure adequacy of funding.
- c. Plan of Correction: In the event of deficiencies, a corrective plan shall be submitted to LRE and implemented within 30 days of identification.

J. Managed Care Administrative Costs

1. According to the MDHHS guidelines for "Establishing Administrative Costs Within and Across the CMHSP System", HealthWest shall identify the administrative activities associated with each of the identified managed care administrative functions.
2. The identified activities shall be recognized as either being centralized at the regional entity or delegated to HealthWest following 42 CFR: 438.230, Sub contractual Relationships and Delegation. For those activities that HealthWest has delegated to them, the agreed-upon estimated Medicaid cost associated with those delegated activities shall be considered LRE administrative in the State reports.
3. The administrative activities, delegation assignment, and associated costs shall be

reviewed and updated at least annually.

K. Financial Risk

In keeping with MDHHS requirements, HealthWest shall fall under the LRE Internal Risk Service Fund for Capitated Funding and the County of Muskegon as a County Department.

L. Insurance Coverage

HealthWest shall maintain minimum coverage levels: General Liability \$1,000,000 per occurrence, Professional Liability \$1,000,000 per occurrence, and other mandated or mutually agreed coverage levels.

M. Regional Finance Committee

HealthWest shall actively participate in the regional finance committee. It is the intent of the Regional Finance Committee that changes and improvements in process shall be discussed. The committee shall meet at least quarterly.

N. Monitoring of Medicaid Eligibility

1. Services should be provided to priority population individuals who meet service eligibility criteria. Services shall be provided using person centered planning principles and according to need, regardless of payment source or whether the service is a covered service.
2. Clinicians, case managers, support coordinators and support personnel shall be trained in benefits advocacy and shall be involved in assisting consumers in maintaining Medicaid eligibility and other benefits whenever possible.
3. Members should establish appropriate mechanisms to ensure that Medicaid funds are used only when the consumer is eligible for Medicaid covered services.

III. REFERENCE:

[Personnel-Rules-2023](#) - Muskegon County Board of Commissioners Personnel Rules

WWW.GASB.org - Government Accounting Standards Board

[2.0-Financial-Management-Policy-2-13-20.pdf](#) – Lakeshore Regional Entity Financial Management Policy

[Microsoft Word - Financial Policies 12.19.2023 - Redlined](#) – County of Muskegon Financial Policies

[mcl-act-2-of-1968.pdf](#) – Michigan Compiled Laws, Uniform Budgeting and Accounting Act, Act 2 of 1968

[MCL - Section 141.412 - Michigan Legislature](#) - Michigan Compiled Laws, Budget Hearings of Local Government, Act 43 of 1963

[eCFR :: 42 CFR 438.230 -- Subcontractual relationships and delegation.](#) – Code of Federal Regulations, Subcontractual Relationships and Delegation, 42 CFR 438.230

[Reporting Requirements](#) – Michigan Department of Health and Human Services, Mental Health & Substance Use Disorder Reporting Requirements

Author initials BC/hb