

Mid-State Health Network
Preliminary Statement of Activities
As of September 30, 2020

	Budget Annual FY 20 Amended Bdgt	Actual Year-to-Date FY 20 Amended Bdgt	Budget Year-to-Date FY 20 Amended Bdgt	Budget Difference	Budget Variance	
Revenue:						
Grant and Other Funding	\$ 191,500	183,521	191,500	(7,979)	(4.17) %	1a
Medicaid Use of Carry Forward	\$ 5,224,377	5,224,377	5,224,377	0	0.00 %	1b
Medicaid Capitation	627,345,192	605,493,361	627,345,192	(21,851,831)	(3.48) %	1c
Local Contribution	3,140,208	3,140,208	3,140,208	0	0.00 %	1d
Interest Income	218,000	138,051	218,000	(79,949)	(36.67) %	1e
Change in Market Value	0	13,137	0	13,137	0.00 %	
Non Capitated Revenue	24,510,203	18,318,627	24,510,203	(6,191,576)	(25.26) %	1f
Total Revenue	660,629,480	632,511,282	660,629,480	(28,118,198)	(4.26) %	
Expenses:						
PIHP Administration Expense:						
Compensation and Benefits	5,423,102	5,398,537	5,423,102	(24,565)	(0.45) %	
Consulting Services	231,000	204,711	231,000	(26,289)	(11.38) %	
Contracted Services	77,340	76,462	77,340	(878)	(1.14) %	
Other Contractual Agreements	528,763	492,952	528,763	(35,811)	(6.77) %	
Board Member Per Diems	13,650	11,480	13,650	(2,170)	(15.90) %	
Meeting and Conference Expense	79,310	71,600	79,310	(7,710)	(9.72) %	
Liability Insurance	35,650	24,990	35,650	(10,660)	(29.90) %	
Facility Costs	161,348	161,748	161,348	400	0.25 %	
Supplies	306,920	293,601	306,920	(13,319)	(4.34) %	
Depreciation	88,259	88,258	88,259	(1)	(0.00) %	
Other Expenses	902,365	864,195	902,365	(38,170)	(4.23) %	
Subtotal PIHP Administration Expenses	7,847,707	7,688,534	7,847,707	(159,173)	(2.03) %	2a
CMHSP and Tax Expense:						
CMHSP Participant Agreements	545,568,469	545,798,681	545,568,469	230,212	0.04 %	1b,1c
SUD Provider Agreements	56,755,703	50,245,758	56,755,703	(6,509,945)	(11.47) %	1c,1f
Benefits Stabilization	2,227,559	2,227,560	2,227,559	1	0.00 %	1b
Tax - Local Section 928	3,140,208	3,140,208	3,140,208	0	0.00 %	1d
Taxes- IPA/HRA	19,937,960	21,136,846	19,937,960	1,198,886	6.01 %	2b
Subtotal CMHSP and Tax Expenses	627,629,899	622,549,053	627,629,899	(5,080,846)	(0.81) %	
Transfer to Internal Service Fund						
Transfer to ISF	0	2,100,000	0	2,100,000	100.00 %	2c
Total Expenses	635,477,606	632,337,587	635,477,606	(3,140,019)	(0.49) %	
Excess of Revenues over Expenditures	\$ 25,151,874	\$ 173,695	\$ 25,151,874			

Mid-State Health Network
Preliminary Statement of Net Position by Fund
As of September 30, 2020

Assets	Behavioral Health Operating	Medicaid Risk Reserve	Total Proprietary Funds	
Cash and Short-term Investments				
Chase Checking Account	24,236,563	0	24,236,563	1a
Chase MM Savings	5,008,511	0	5,008,511	
Savings ISF Account	0	40,792,120	40,792,120	1b
Savings PA2 Account	10,706,414	0	10,706,414	1c
Investment ISF Account	0	2,999,033	2,999,033	1b
Total Cash and Short-term Investments	\$ 39,951,488	\$ 43,791,153	\$ 83,742,641	
Accounts Receivable				
Due from MDHHS	12,242,001	0	12,242,001	2a
Due from CMHSP Participants	29,838,706	0	29,838,706	2b
Due from CMHSP - Non-Service Related	17,500	0	17,500	2c
Due from Other Governments	934,175	0	934,175	2d
Due from Miscellaneous	284,566	0	284,566	2e
Due from Other Funds	0	2,100,000	2,100,000	2f
Total Accounts Receivable	43,316,948	2,100,000	45,416,948	
Prepaid Expenses				
Prepaid Expense Insurance	70,162	0	70,162	2g
Prepaid Expense Rent	4,529	0	4,529	2h
Prepaid Expense Other	9,799	0	9,799	2i
Total Prepaid Expenses	84,490	0	84,490	
Fixed Assets				
Fixed Assets - Computers	189,180	0	189,180	2j
Accumulated Depreciation - Information Tech	(157,650)	0	(157,650)	
Fixed Assets - Vehicles	251,983	0	251,983	2k
Accumulated Depreciation - Vehicles	(25,199)	0	(25,199)	
Total Fixed Assets	258,314	0	258,314	
Total Assets	\$ 83,611,240	\$ 45,891,153	\$ 129,502,393	
Liabilities and Net Position				
Liabilities				
Accounts Payable	\$ 19,883,165	\$ 0	\$ 19,883,165	1a
Current Obligations (Due To Partners)				
Due to State	9,034,975	0	9,034,975	3a
Other Payable	722,670	0	722,670	3b
Due to State HRA Accrual	3,599,904	0	3,599,904	1a, 3c
Due to State-IPA Tax	1,543,582	0	1,543,582	3d
Due to CMHSP Participants	385,522	0	385,522	3e
Due to other funds	2,100,000	0	2,100,000	3f
Accrued PR Expense Wages	182,080	0	182,080	3g
Accrued Benefits PTO Payable	345,569	0	345,569	3h
Accrued Benefits Other	47,637	0	47,637	3i
Total Current Obligations (Due To Partners)	17,961,939	0	17,961,939	
Deferred Revenue	41,230,154	0	41,230,154	1b 1c 2b 3b
Total Liabilities	79,075,258	0	79,075,258	
Net Position				
Unrestricted	4,535,982	0	4,535,982	3j
Restricted for Risk Management	0	45,891,153	45,891,153	1b
Total Net Position	4,535,982	45,891,153	50,427,135	
Total Liabilities and Net Position	\$ 83,611,240	\$ 45,891,153	\$ 129,502,393	

**Mid-State Health Network
Notes to Financial Statements
For the Twelve-Month Period Ended,
September 30, 2020**

Please note: The Preliminary Statement of Net Position contains Fiscal Year (FY) 2020 cost settlement figures between the PIHP and Michigan Department of Health Human Services (MDHHS) as well as each Community Mental Health Service Program (CMHSP) Participants. CMHSP Cost settlement figures were extracted from fiscal year-end projections gathered as of November 2020. Final figures will vary.

Statement of Net Position:

1. Cash and Short-Term Investments
 - a) The Cash Chase Checking and Chase Money Market Savings accounts is the cash available for operations. A portion of cash available for operations will be used to cover accounts payable and taxes.
 - b) The Savings Internal Service Fund (ISF) and Investment ISF reflect designated accounts to hold the Medicaid ISF funds separate from all other funding per the MDHHS contract.
 - c) The Savings PA2 account holds PA2 funds and is also offset by the Deferred Revenue liability account.
2. Accounts Receivable
 - a) Due from MDHHS balance represents amounts owed to MSHN for HRA payments made to hospitals for the fourth quarter and Performance Bonus Incentive Pool (PBIP). In addition, more than \$1 M is owed for Block Grant and other various grants.
 - b) Due from CMHSP Participants reflects FY 20 preliminary cost settlement activity as well as cost settlement for other fiscal years. Note that of this \$29 M, about \$7.5 M is associated with unspent Direct Care Worker Premium Pay (see note 3a below).

CMHSP	Other	Cost Settlement	Payments/Offsets	Total
Bay	-	1,099,829.99	-	1,099,829.99
CEI	102,173.00	11,694,754.10	-	11,796,927.10
Central	-	4,543,999.60	-	4,543,999.60
Gratiot	-	401,171.68	-	401,171.68
Huron	-	-	-	-
The Right Door	-	1,621,959.88	-	1,621,959.88
Lifeways	-	741,085.61	-	741,085.61
Montcalm	18,941.00	1,931,282.48	-	1,950,223.48
Newaygo	-	1,105,948.92	-	1,105,948.92
Saginaw	-	4,467,902.45	-	4,467,902.45
Shiawassee	-	566,283.63	-	566,283.63
Tuscola	-	1,543,373.85	-	1,543,373.85
Total	121,114.00	29,717,592.19	-	29,838,706.19

- c) Due from CMHSP – Non-Service Related reflects the balance for MSHN’s performance of Supports Intensity Scale (SIS) assessment billed to CMHs in the region.
- d) Due from Other Governments is the account used to track PA2 Billing to the 21 counties in MSHN’s region. The amount represents dollars owed through quarter three.
- e) Approximately 50% of the balance in Due from Miscellaneous represents amounts owed from providers for Medicaid Event Verification (MEV) findings. The remaining amount represents advances made to Substance Abuse and Treatment (SAPT) providers to cover operations.
- f) Due from other funds is the account used to manage anticipated ISF transfers. MSHN can retain up to 7.5 % of current FY revenue to manage risk. This amount is in addition to the allowable 7.5% for savings generated when Medicaid and Healthy Michigan revenue exceed expenses.
- g) Prepaid insurance contains liability and health insurance payments.
- h) Prepaid Expense Rent balance consists of security deposits for three MSHN office suites.
- i) The Prepaid Expense Other represents payments made in FY 20 for FY 21 Relias training. The Relias contract cycle is November through October. MSHN has a regional contract which includes the CMHSPs and they are billed directly for their portion of Relias seats. Conferences and Memberships represent a small portion of this balance.
- j) This is an account used to track Managed Care Information System (MCIS) costs associated with PCE. Amounts in this account are being depreciated.
- k) Fixed Asset Vehicle contains the total cost for MSHN’s Mobile Unit. The Mobile Unit will be used to provide Substance Use Disorder services and tele-psychiatry as needed. Amounts in this account are being depreciated.

3. Liabilities

- a) Due to State account balance contains the outstanding amount for FY 20 Direct Care Worker (DCW) lapse, FY 20 lapse, and an FY 2017 Autism settlement.
 - o MDHHS issued revenue between April and September to cover a \$2 per hour DCW premium pay for workers providing specific in-person services during COVID-19. The revenue also included 24 cents to offset administrative expenses associated with the salary increase. Based on CMHSP information collected in October, MSHN anticipates approximately \$7.5 M as the DCW lapse amount. There will likely be adjustments to this projected figure as CMHSPs and MSHN finalize use of the funds during FY 20 closeout activities.
 - o The FY 20 lapse is a projection based on CMHSP preliminary cost settlements. The lapse amount indicates we have a fully funded ISF and that savings will fall within the second tier (above 5%). Per contractual guidelines MDHHS will receive half of every dollar generated beyond this threshold until the PIHP’s total savings reach the 7.5% maximum.
- b) This amount is related to SUD provider payment estimates and is needed to offset the timing of payments.
- c) The HRA (Hospital Rate Adjustor) is a pass-through account for dollars sent from MDHHS to cover supplemental payments made to psychiatric hospitals. The HRA payments are intended to incentivize hospitals to have available psychiatric

beds as needed. Total HRA payments are calculated based on the number of inpatient hospital services reported.

- d) Due to State - IPA Tax contains funds held for tax payments associated with MDHHS Per Eligible Per Month (PEPM) funds. Insurance Plan Assessment taxes are applied to Medicaid and Healthy Michigan eligible.
- e) Due to CMHSPs represent an amount a cost settlement owed to one regional partner.
- f) Due to other funds is the anticipated FY 20 ISF transfer (see 2f).
- g) Accrued payroll expense wages represent expense incurred in September and paid in October.
- h) Accrued Benefits PTO (Paid Time Off) payable is the required liability account set up to reflect paid time off balances for employees.
- i) Accrued Benefits Other amount reflects a small health insurance rebate and will be for use in the near future to offset employee insurance coverage payments. Approximately \$46 k of this balance represents retirement benefits expense incurred in September and paid in October.
- j) The Unrestricted Net Position represents the difference between total assets, total liabilities, and the restricted for risk management figure.

Statement of Activities: Please Note – The Fiscal Year 2020 Amended Budget approved during the September 2020 Board Meeting is displayed in this report.

1. Revenue

- a) This account tracks SIS revenue earned from CMHSPs and grant revenue. Actual expenses are in line with the new budget amendment amount.
- b) Medicaid Use of Carry Forward represents the FY 19 savings. A portion of Medicaid Savings is sent to the CMHSPs as Benefit Stabilization for 24/7/365 SUD activities which include access, prevention, and customer services. FY 19 Medicaid Carry Forward must be used as the first source of revenue for FY 20.
- c) Medicaid Capitation – at Fiscal Year end the revenue exceeding expenses is moved to deferred revenue on the Statement of Net position. Medicaid Capitation is disbursed to CMHSPs based on per eligible per month (PEPM) payment files and paid to SUD providers based on service delivery. FY 21 Statement of Activities will show this deferred Medicaid revenue on the Medicaid Use of Carry Forward line.
- d) Local Contribution is flow-through dollars from CMHSPs to MDHHS. Typically, revenue equals the expense side of this activity under Tax Local Section 928.
- e) Interest income reflects interest earned on investments and changes in principle for investments purchased at discounts or premiums. The “change in market value” account records activity related to market fluctuations. Interest income budget amounts were adjusted in the amendment however there has been a significant decrease in interest rates which accounts for some of the variance. In addition, PA2 interest was removed from this account and allocated proportionately to each of the 21 counties based on their projected FY end reserve balance.
- f) This account tracks non-capitated revenue for SUD services which include Community Grant and PA2 funds. MDHHS now pays Community Grant funds after the service month. In prior years, PIHPs received a 1/12 allocation at the beginning of each month. The variance results from MSHN budgeting the full Block Grant allocation amount but spending less.

2. Expense

- a) Total PIHP Administration Expense is slightly under budget however the variances are reduced since amendment budget amounts are included in this report.
- b) IPA/HRA actual tax expenses for October through September 2020 are higher than the budget amount. The variance stems from MDHHS issuing a supplemental HRA payment of \$1.1 M specific to the CARES (Coronavirus Aid, Relief, and Economic Security) Act. The additional passthrough and corresponding revenue were not known at the time of the budget amendment. (Please see Statement of Net Position 3c).
- c) Transfer to the ISF is an expense in the current Fiscal Year (See Statement of Net Position 2f and 3f).

Background:

In accordance with the MSHN Board of Directors to review financials, at a minimum quarterly, the Preliminary Statement of Net Position and Preliminary Statement of Activities for the Period Ending September 30, 2020 have been provided and presented for review and discussion.

Recommended Motion:

The MSHN Board of Directors receives and files the Preliminary Statement of Net Position and Preliminary Statement of Activities for the Period Ending September 30, 2020 as presented.

MID-STATE HEALTH NETWORK
SCHEDULE OF INTERNAL SERVICE FUND INVESTMENTS
As of September 30, 2020

DESCRIPTION	CUSIP	TRADE DATE	SETTLEMENT DATE	MATURITY DATE	CALLABLE	AMOUNT DISBURSED	PRINCIPAL	AVERAGE ANNUAL YIELD TO MATURITY
UNITED STATES TREASURY BILL	912796SP5	4.23.19	4.25.19	10.24.19	no	988,182.64	1,000,000.00	2.365%
UNITED STATES TREASURY BILL	912796SP5	4.23.19	4.25.19	10.24.19			(1,000,000.00)	
FEDERAL HOME LOAN MTG CORP	3137EAEF2	5.2.19	5.3.19	4.20.20	no	624,605.01	630,000.00	2.331%
FEDERAL HOME LOAN MTG CORP	3137EAEF2						(630,000.00)	
UNITED STATES TREASURY BILL	912796RN1	6.7.19	6.10.19	12.5.19	no	1,979,752.50	2,000,000.00	2.068%
UNITED STATES TREASURY BILL	912796RN1						(2,000,000.00)	
UNITED STATES TREASURY BILL	912796TF6	8.14.19	8.15.19	2.13.20	no	2,972,607.48	3,000,000.00	1.823%
UNITED STATES TREASURY BILL	912796TF6						(3,000,000.00)	
UNITED STATES TREASURY BILL	912796TK5	9.12.19	9.12.19	3.12.20	no	991,043.07	1,000,000.00	1.788%
UNITED STATES TREASURY BILL	912796TK5						(1,000,000.00)	
FEDERAL FARM CREDIT BANK	3133ELCD4	12.2.19	12.3.19	6.2.21	yes	2,000,092.22	2,000,000.00	1.660%
FEDERAL FARM CREDIT BANK	3133ELCD4						(2,000,000.00)	
UNITED STATES TREASURY BILL	912796UC1	2.12.20	2.13.20	1.28.21	no	2,959,268.75	2,985,895.81	
JP MORGAN INVESTMENTS							2,985,895.81	
JP MORGAN CHASE SAVINGS							40,292,950.47	0.050%
							<u>\$ 43,278,846.28</u>	

U.S. Treasury Bills – Treasury Bills, or T-Bills, are sold in terms ranging from a few days to 52 weeks. T-Bills are short-term debt issued and backed by the full faith and credit of the United States government. T-Bills are typically sold at a discount from the par amount (par amount is also called face value). You can hold a T-Bill until it matures or sell it prior to maturity. When a T-Bill matures, you are paid the par amount. Assuming the T-Bill is held to maturity, the difference between the par amount at maturity and the original cost is the amount of interest earned. **Source: U.S Treasury Direct**

U.S. Agencies – An agency security is a low-risk debt obligation that is issued by a U.S. government-sponsored enterprise (GSE). A Government-Sponsored Enterprise (GSE) bond is an agency bond issued by such agencies as Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage (Freddie Mac), Federal Farm Credit Banks Funding Corporation, and the Federal Home Loan Bank. Unlike Treasury securities, government agency bonds are not expressly backed by the full faith and credit of the U.S. government, but they do carry an implied backing due to the continuing ties between the agencies and the U.S. government. Most agency securities pay a semi-annual fixed coupon. **Source: Investopedia**