NORTHCARE NETWORK

POLICY TITLE: Capitation Payments	**CATEGORY:** Financial Management	
EFFECTIVE DATE: 6/5/13	**BOARD APPROVAL DATE:** 6/5/13	
REVIEW DATE: 10/25/22	**REVISION(S) TO POLICY STATEMENT:** ☐ **Yes** ☒ **No**	**OTHER REVISION(S):** ☒ **Yes** ☐ **No**
RESPONSIBLE PARTY: Chief Financial Officer	**CEO APPROVAL DATE:** 11/1/22 Dr. Tim Kangas, CEO	

APPLIES TO
NorthCare Network Personnel

POLICY
NorthCare Network's Governing Board grants authority to the Chief Executive Officer and Chief Financial Officer, to distribute and monitor the capitation payments that are received from the Michigan Department of Health and Human Services to the Member CMHSPs and other network contract service providers. The capitation will be based upon an actuarially sound methodology, periodically reviewed to maintain funding within the region.

PURPOSE
To ensure capitation funding is allocated, as appropriate and allowable, for covered services and supports provided to eligible Medicaid beneficiaries receiving services.

DEFINITIONS
1. ***Beneficiary*** is an individual who is eligible for Medicaid/MI Child, Healthy Michigan, or Autism Benefit and who is receiving or may qualify to receive services through the PIHP.

2. ***Capitation Payments*** Is a fixed amount of money per beneficiary per month paid in advance to the PIHP for the delivery of behavioral health care services.

3. ***Capitation Rate*** Is the fixed per person monthly rate payable to the PIHP by the State for each Medicaid eligible person covered by the 1115 Demonstration Waiver Program, regardless of whether or not the individual who is eligible for Medicaid receives covered specialty services and supports during the month. There is a separate, fixed per person monthly rate payable for each eligible person covered by the Healthy Michigan Program.

4. ***CMS*** is the Center for Medicare and Medicaid Services.

5. ***Per Eligible Per Month*** is the fixed monthly rate per Medicaid eligible person payable to the PIHP by MDHHS for the provision of Medicaid services as defined by the MDHHS/PIHP contract.

REFERENCES

MDHHS/PIHP Contract, as amended

HISTORY

REVISION DATE: 5/14/14, 3/31/16, 1/30/17, 11/5/18, 8/24/21, 10/25/22
REVIEW DATE: 6/5/13, 5/14/14, 5/5/15, 3/31/16, 1/30/17, 12/4/17, 11/5/18, 8/24/21, 10/25/22
CEO APPROVAL DATE: 6/5/13, 5/14/14, 5/5/15, 4/4/16, 2/7/17, 12/11/17, 11/6/18, 9/7/21, 11/1/22
BOARD APPROVAL DATE: 6/5/13

PROCEDURES

MDHHS will provide to the PIHP both the state and federal share of Medicaid funds as a capitated payment based upon a per eligible per month (PEPM) methodology. MDHHS will provide access to an electronic copy of the names of the Medicaid eligible people for whom a capitation payment is made. A PEPM is determined for each of the populations covered by the MDHHS/PIHP contract, which includes services for people with a developmental disability, a mental illness or emotional disturbance, and people with a substance use disorder as reflected in the MDHHS/PIHP contract. PEPM payment is made to the PIHP for all beneficiaries in its service area, not just those with the above-named diagnoses. The actual number of Medicaid beneficiaries will be determined monthly and the PIHP will be notified of the beneficiaries in their service area when the payment is made.

MDHHS must not reduce the 1115 Behavioral Health Demonstration Waiver PEPM, 1115 Healthy Michigan Plan PEPM or the C-waiver rates to the PIHP to offset a Statewide increase in the number of Medicaid beneficiaries.

The Medicaid per eligible per month (PEPM) are determined by the Michigan Department Health and Human Services will be adjusted as necessary using rate structures, methodologies and adjusters that increase the percentage of the ratio reflecting morbidity and decreasing the history/geography. These methodologies will be based on a common statewide rate structure and are outlined in the actuarial documentation letter. These methodologies are approved by CMS.

The PIHP shall provide financial reports to MDHHS as defined in the contract, on forms and formats specified by MDHHS.

The PIHP will immediately be informed of any modifications in funding commitments by MDHHS under the following conditions:

A. Action by the Michigan State Legislature or by the Center for Medicare and Medicaid Services that removes any State funding for or authority to provide for specified services.

B. Action by the Governor pursuant to Const. 1963, Article 5, Section 20 that removes the State's funding for specified services or that reduces the State's funding level below that required to maintain services on a statewide basis.

C. A formal directive from the Governor or the Michigan Department of Technology, Management and Budget (DTMB) on behalf of the Governor requiring a reduction in expenditures.