

## NORTHCARE NETWORK

<b>POLICY TITLE:</b> Insurance, Re-Insurance & Management of Risk Pools	<b>CATEGORY:</b> Financial Management	
<b>EFFECTIVE DATE:</b> 6/25/13	<b>BOARD APPROVAL DATE:</b> 6/25/13	
<b>REVIEW DATE:</b> 8/24/21	<b>REVISION(S) TO POLICY STATEMENT:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>OTHER REVISION(S):</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>RESPONSIBLE PARTY:</b> Chief Financial Officer	<b>CEO APPROVAL DATE:</b> 9/7/21 Dr. Tim Kangas CEO	

### **APPLIES TO**

NorthCare Network Personnel  
Network Providers

### **POLICY**

It is the policy of NorthCare Network to monitor insurance, re-insurance options and management of the risk pool for Medicaid capitated fund payments for the service region.

### **PURPOSE**

To meet the financial management requirements as specified in the MDHHS contract.

### **DEFINITIONS**

N/A

### **REFERENCES**

- MDHHS/PIHP Contract
- Operating Agreements with Member CMHSPs
- Bylaws for the NorthCare Network Regional Mental Health Entity

### **HISTORY**

REVISION DATE: N/A, 3/31/16, 8/24/21

REVIEW DATE: 6/14/13, 6/14/14 5/26/15, 3/31/16, 1/30/17, 12/4/17, 11/5/18, 8/24/21

CEO APPROVAL DATE: 6/14/13, 6/14/14, 6/2/15, 4/4/16, 2/7/17, 12/11/17, 11/6/18, 8/24/21

BOARD APPROVAL DATE: 6/25/13

### **PROCEDURES**

The PIHP shall be responsible for all liability, loss or damage as a result of claims, demands, costs, or judgments arising out of activities to be carried out pursuant to the obligation of the PIHP under the contract with MDHHS if the liability, loss or damage is caused by, or arises out of, the actions or failure to act on the part of the PIHP, its employees, officers or agents.

The PIHP shall require that each Member CMHSP procure, pay the premium on, keep and maintain during the term of the contract either self-insurance and/or insurance coverage and/or bonding for funds and financial risk herein involved pursuant to its obligations.

The PIHP shall require that each Member CMHSP procure, pay the premium on, keep and maintain during the term of this contract other insurance coverage in such amounts as necessary to cover all other claims, which may arise out of activities to be carried out pursuant to its obligations.

Each party, its elected and appointed officers, employees, employees and agents shall be named as Additional Insured on the other party's liability insurance policies as applicable.

NorthCare Network shall ensure that all of the Member CMHSPs and their staff are covered by all appropriate liability and malpractice insurance for the services which they perform.

Prior to the execution of the contract, each Member CMHSP shall furnish notice of verification to the PIHP that it maintains sufficient insurance coverage as required hereunder.

Each Member CMHSP shall provide the PIHP with written notice at least thirty (30) days prior to any reduction or termination of insurance coverage(s) required under the contract.

The PIHP shall also consider the parameters of the shared-risk corridor, the reinvestment of savings and a strategic approach in the management of risk as described below:

Funding from other sources or arrangements identified as funding formula, categorical, and all fee for service are to be completely excluded from any shared-risk arrangement between the Member CMHSPs and the PIHP. The PIHP shall assume full risk of operating within the boundaries of the approved expenditure and revenue budgets of each of these funding arrangements. The shared risk arrangements shall cover all Medicaid 1915 (i) Waiver, Healthy Michigan Plan, MI Child, 1915(c) Waiver, 1115 Demonstration Waivers, payments. The risk corridor is administered across all services, with no separation for mental health and substance use funding.

The PIHP shall retain unexpended risk-corridor-related funds between 95% and 100% of said funds. The PIHP shall retain 50% of unexpended risk-corridor related funds between 90% and 95% of said funds. The PIHP must return unexpended risk-corridor-related funds to MDHHS between 0% and 90% of said funds and 50% of the amount between 90% and 95%.

The PIHP must be financially responsible for liabilities incurred above the risk corridor-related operating budget between 100% and 105% of said funds contracted.

The PIHP must be financially responsible for 50% of the financial liabilities above the risk corridor-related operating budget between 105% and 110% of said funds contracted.

The PIHP will not be financially responsible for liabilities incurred above the risk corridor-related operating budget over 110% of said funds contracted.

The assumption of a shared-risk arrangement between the PIHP and MDHHS will not permit the PIHP to overspend its total operating budget for any given fiscal year.

The PIHP must not pass on, charge or in any manner shift financial liabilities to Medicaid beneficiaries resulting from PIHP financial debt, loss and/or insolvency.

The PIHP financial responsibility for liabilities for costs between 100% and 110% must be paid from the PIHP's ISF for risk funding or insurance for cost-over-runs.

If the PIHP's liability exceeds the amount available from ISF and insurance, then other funding available to the PIHP may be utilized in accordance with the terms of the PIHP's Risk Management Strategy.

Provisions regarding the Medicaid savings and the PIHP reinvestment strategy are included below. It should be noted that only a PIHP may earn and retain Medicaid savings. Member CMHSPs and the Substance Use Disorder program may not earn or retain Medicaid savings. Note that the provisions may be limited or canceled by the closeout provision and may be modified by actions stemming from remedies and/or sanctions.

The PIHP may retain unexpended Medicaid Capitation funds up to 7.5% pre-payment authorization. These funds shall be included in the PIHP reinvestment strategy. All Medicaid savings funds reported at fiscal year-end must be expended within one fiscal year following the fiscal year earned. If MDHHS and CMS approval is required of the reinvestment plan, the savings must be expended by the end of the fiscal year following the year the plan is approved. In the event that a final MDHHS audit report creates new Medicaid savings, the PIHP will have one year following the date of the final audit report to expend those funds. Unexpended Medicaid savings shall be returned to MDHHS as part of the year-end settlement process. MDHHS will return the federal share of the unexpended savings to CMS.

The PIHP shall develop and implement a reinvestment strategy for all Medicaid savings realized. The PIHP reinvestment plan shall be directed to the Medicaid covered beneficiaries.

All Medicaid savings must be invested according to specific criteria. Any of these funds that remain unexpended at the end of the fiscal year must be returned to MDHHS as part of the year-end settlement process.