

## NORTHCARE NETWORK

<b>POLICY TITLE:</b> Risk Analysis, Risk Modeling & Underwriting	<b>CATEGORY:</b> Financial Management	
<b>EFFECTIVE DATE:</b> 6/25/13	<b>BOARD APPROVAL DATE:</b> 6/25/13	
<b>REVIEW DATE:</b> 5/2/24	<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> 5/7/24 Megan Rooney, CEO	

### **APPLIES TO**

NorthCare Network Personnel  
Network Providers

### **POLICY**

It is the policy of NorthCare Network to develop practices and procedures to systematically review funding streams as part of financial risk analysis, risk modeling and underwriting methods.

### **PURPOSE**

To outline and implement strategies that will identify and address any potential financial instability for the region with continuous monitoring of funding and to capitalize on investment opportunities as available.

### **DEFINITIONS**

N/A

### **REFERENCES**

- MDHHS/PIHP Contract, as amended
- Operating Agreements with Member CMHSPs
- NorthCare Network Bylaws, as amended

### **HISTORY**

REVISION DATE: 3/3/15, 12/28/16, 10/25/17, 9/17/18, 8/24/21, 10/25/22, 5/2/24

REVIEW DATE: 6/14/13, 4/2/14, 3/3/15, 2/1/16, 12/28/16, 10/25/17, 9/17/18, 8/24/21, 10/25/22, 5/2/24

CEO APPROVAL DATE: 6/14/13, 4/2/14, 3/3/15, 2/9/16, 1/4/17, 11/6/17, 9/17/18, 9/7/21, 11/1/22, 5/7/24

BOARD APPROVAL DATE: 6/25/13

### **PROCEDURES**

Federal regulations require that the risk-based PIHPs maintain a fiscally solvent operation and MDHHS has the right to evaluate the ability of the PIHP to bear the risk of potential financial losses, or to perform services based on determinations of payable amounts under the MDHHS/PIHP contract.

In developing the overall financial plan, NorthCare Network shall consider the parameters of the MDHHS/PIHP shared-risk corridor, the reinvestment of savings, and the strategic approach in the management of risk.

NorthCare Network must provide to MDHHS upon request, documentation that demonstrates financial risk protections sufficient to cover NorthCare Network's determination of risk. NorthCare Network must update this documentation anytime there is a change in the information.

NorthCare Network and NorthCare Network's members are highly dependent on Medicaid funding and State General Fund appropriations. Actions which reduce the amount of revenue from these sources have a severe impact on operations. The CFO will review Medicaid expenditures throughout the year to assist with projecting the final Medicaid savings.

Risk Management Strategies include:

- Build a Medicaid ISF Risk Fund that is actuarially sound and in compliance with the MDHHS/PIHP ISF Technical Requirement.
- Purchase of re-insurance in an amount equal to the risk
- Continued monitoring of encounter balancing and service data integrity.
- Continued monitoring of ERN (Employer Reference Number) to minimize the number of duplicate submissions
- Continued monitoring and balancing of encounter data to the EQI
- Continued monitoring of revenues and expenditures to maximize carry forwards while maintaining appropriate levels of service

NorthCare Network will submit the annual written Risk Management Strategy to MDHHS. The Risk Management Strategy will identify the amount of reserves, insurance, and other revenues to be used by NorthCare Network to assure that its risk commitment is met.

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

NorthCare Network must not pass on, charge or in any manner shift financial liabilities to Medicaid beneficiaries resulting from financial debt, loss or insolvency. NorthCare Network financial responsibility for liabilities for costs between 100% and 110% must first be paid from NorthCare Network's Internal Service Fund (ISF) for risk funding or insurance for cost over-runs. If NorthCare Network's liability exceeds the amount available from the ISF and insurance, then other funding available to NorthCare Network may be utilized in accordance with the terms of NorthCare Network's Risk Management Strategy.