

## NORTHCARE NETWORK

<b>POLICY TITLE:</b> Medicaid Capitation Allocation Methodology	<b>CATEGORY:</b> Financial Management	
<b>EFFECTIVE DATE:</b> 3/1/12	<b>BOARD APPROVAL DATE:</b> 5/14/14	
<b>REVIEW DATE:</b> 11/15/25	<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> 12/2/25 Megan Rooney, CEO	

### **APPLIES TO**

NorthCare Network Personnel  
Member CMHSPs

### **POLICY**

NorthCare Network sub-capitates for shared risk with Member CMHSPs using an actuarial sound methodology.

### **PURPOSE**

This procedure addresses the methodology to allocate the regional Medicaid Capitation payment to Member Community Mental Health Services Programs (CMHSPs) in the NorthCare Network Affiliation.

### **DEFINITIONS**

1. FSR: Financial Status Report
2. CMHSP: Community Mental Health Services Program
3. EQI: Encounter Quality Data Initiative
4. DAB: Disabled, Aged, and Blind population
5. TANF: Temporary Assistance for Needy Families population
6. HSW: Habilitation Supports Waiver
7. CWP: Children's Waiver Program
8. SEDW: Serious Emotional Disturbances Waiver
9. IPA: Insurance Provider Assessment

### **REFERENCES**

N/A

## **HISTORY**

REVISION DATE: 3/20/13, 1/2/14, 5/6/14, 12/3/14, 8/31/16, 8/30/17

REVIEW DATE: 3/20/13, 3/5/14, 5/6/14, 12/3/14, 10/30/15, 8/31/16, 8/30/17, 11/15/25

CEO APPROVAL DATE: 3/20/13, 3/5/14, 5/6/14, 12/3/14, 11/9/15, 9/6/16, 9/12/17, 12/2/25

BOARD APPROVAL DATE: 2/1/12, 3/21/13, 5/14/14

## **PROCEDURES**

NorthCare Network will receive a monthly Financial Status Report (FSR) from each Member CMHSP. This will be submitted to NorthCare Network by the last day of the following month.

The Medicaid Capitation methodology and percentages will be reviewed annually and may be adjusted based on prior fiscal year encounters, expenditures, and current year costs.

### **Methodology for allocating State Plan Mental Health, 1915(i) Mental Health and Autism Mental Health:**

A. Four factors are utilized to calculate an allocation percentage to distribute State Plan Mental Health, 1915(i) Mental Health and Autism Mental Health capitation payments to Member CMHSPs:

1. **Prior Year Blended Rate**: The allocation percentage from the previous year.
2. **Current Year Activity**: The current year Medicaid costs for each Member CMHSP is submitted to NorthCare Network on the current year June FSR. This is a year-to-date Medicaid cost. The Member CMHSP current year June Medicaid cost is divided by the total current year June Medicaid cost for all five Member CMHSPs.
3. **Prior Year Activity**: The prior year Medicaid costs for each Member CMHSP is utilized from the prior year Encounter Quality Data Integrity (EQI) report. This includes the Medicaid DAB/TANF population costs from the Service UNC tab, Medicaid costs from the non-benefit tab and Medicaid costs from the other expense tab. A percentage is calculated for each Member CMHSP based on the total Medicaid costs from the EQI report. The total Medicaid costs from the EQI report for each Member CMHSP is divided by the total Medicaid costs from the EQI report for all five Member CMHSPs.
4. **PEPM**: A percentage is calculated by dividing the number of PEPM for each Member CMHSP for the month of June by the total number of PEPM for all five Member CMHSPs for the month of June.

B. The allocation percentage is calculated by averaging the percentages of all four factors listed above for each Member CMHSP. All four factors are weighted equally at 25%.

C. The allocation percentage is calculated annually following completion of the prior fiscal year EQI report and submission of the current fiscal year June FSR to NorthCare Network.

- D. The allocation percentage is reviewed by Regional Finance Committee.
- E. The allocation percentage is approved by the Performance Management Committee (PMC) upon recommendation from Regional Finance Committee.
- F. The current year percentages will carry forward into the subsequent year until a change in allocation has been approved for any new fiscal year.
- G. With a significant change in allocation due to prior year or current year activity, the Member CMHSP Medicaid budget and historical allocations should be considered in implementing the change in allocation.

**Methodology for 1915(c) Waiver Programs:**

1915(c) Waiver funds will be paid and recoupment will be made to the Member CMHSPs based upon actual dollars received, per slots, and evidence of services delivered from data provided by MDHHS.

1915(c) Waiver methodology includes Habilitation Supports Waiver (HSW), Children's Waiver Program (CWP) and Serious Emotional Disturbances Waiver (SEDW).

**Methodology for Healthy Michigan:**

Healthy Michigan funds will be distributed to the Member CMHSPs based on county of enrollment.

**Deductions from Capitation Payments:**

- A. NorthCare Network costs will be retained by NorthCare Network.
- B. IPA will be retained by NorthCare Network.

**Local Match:**

The Local Match contribution will also be allocated based on the State Plan Mental Health, 1915(i) Mental Health and Autism Mental Health Medicaid allocation percentages. The Local Match "rate" per Medicaid dollar will be the same for each Member CMHSP.

**Progressive Sanctions:**

- A. When a Member CMHSP is overspent for the first year, a plan of correction is expected after year end close, for NorthCare Network's approval and monitoring, via PMC.
- B. When a Member CMHSP is overspent for the second year in a row, a plan of correction is expected after year end close, for NorthCare Network's approval and monitoring, via PMC. NorthCare Network may/will require the CMHSP to implement cost reductions. The Member CMHSP must show where and how these cuts will be implemented. Member CMHSPs are prohibited from cutting medically necessary consumer services.
- C. When a Member CMHSP is overspent for the third year in a row, a plan of correction is expected after the year end close, for NorthCare Network's approval and monitoring, via PMC.