

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

IN THE MATTER OF:

BAY-ARENAC BEHAVIORAL HEALTH

Docket No.: 2008-493 MHA

SETTLEMENT AGREEMENT

This Agreement is made by and between the State of Michigan, by and through the Michigan Department of Community Health (hereinafter referred to as "Department"), located at 320 S. Walnut Street, in the City of Lansing, State of Michigan; and Bay-Arenac Behavioral Health (hereinafter referred to as "Provider"), located at 201 Mulholland, in Bay City, Michigan.

WHEREAS, the Provider was established in 1971 and operates under the provisions of the Mental Health Code, 1974 PA 258, MCL 330.1001 through 330.2106; and

WHEREAS, the Provider became an authority in 2001 under the provisions of the Mental Health Code, Section 330.1205 of the Michigan Compiled Laws; and

WHEREAS, the Department, pursuant to section 105 of the Social Welfare Act, 1939 P.A. 280, MCL 400.105 et seq, has been designated as the single state agency to administer the Medical Assistance (Medicaid) Program established under Title XIX of the Social Security Act as amended, 42 USC 1396, et seq; and

WHEREAS, the Provider is an enrolled provider of medical services to eligible Medicaid beneficiaries with the Department and, at the time of the execution of this Agreement, is eligible to receive reimbursement for the provision of such services through the following Medicaid provider identification number: ██████████; and

WHEREAS, the Provider was contractually obligated during FY 2000-2001 and FY 2001-2002, to provide mental health services to residents within Bay and Arenac Counties that are defined as priority populations pursuant to the Michigan Mental Health Code and to other residents not defined as priority to the extent that funds are available for such purpose, and was eligible to receive reimbursement of State of Michigan General Funds for this purpose; and

WHEREAS, the Provider was contractually obligated pursuant to a Managed Specialty Supports and Services Contract (hereinafter referred to as "MSSSC") during FYs 2000-2001 and 2001-2002 to provide mental health supports and services to residents within Bay and Arenac Counties for populations described in the Mental Health Code and for Medicaid beneficiaries under a shared risk arrangement; and

WHEREAS, pursuant to the MSSSC in effect for FYs 2000-2001 and 2001-2002, the Provider was reimbursed a capitated payment on a Per Eligible per Month Methodology for Medicaid beneficiaries and reimbursed based on a separate formula for non-Medicaid beneficiaries for services provided to populations described in the Mental Health Code and funded with state General Fund dollars; and

WHEREAS, as a result of an audit of the Provider's records and accounts for the audit period October 1, 2000 through September 30, 2002, the Department asserts in their Audit Report dated October 2007, that the Provider was improperly reimbursed for certain Medicaid and General Fund covered services paid for by the Department during that period and proposed several adjustments to the Financial Status Reports (FSR) filed by the Provider to correct those alleged improperly claimed costs requiring that the Provider pay the Department \$3,244,323; and

WHEREAS, the Provider disputes financial findings 1, 2, 3, 4, 5, 6, 8, and 14 in the Audit Report and has contested the proposed audit adjustments in a proceeding before the State Office of Administrative Hearings and Rules (hereinafter referred to as "Appeal"); and

WHEREAS, the Department and the Provider have agreed to settle and resolve this dispute in accordance with the terms and conditions set forth in this agreement.

ARTICLE I

1. The Provider agrees to not record Supplemental Security Income (SSI) or Social Security Administration (SSA) income, received directly or indirectly, as recipient fees or third-party reimbursements for purposes of Section 226a of the Mental Health Code. The Provider also agrees to not record expenditures related to this income as matchable expenditures on the Financial Status Reports (FSRs) filed with the Department.

2. The Provider agrees that they did not record SSI or SSA income, received directly or indirectly, as recipient fees or third-party reimbursements for purposes of Section 226a of the Mental Health Code on their fiscal year end (FYE) 2003, 2004, 2005, 2006 & 2007 FSRs filed with the Department, and will not amend said reports to include SSI or SSA income, received directly or indirectly, as recipient fees or third-party reimbursements for purposes of Section 226a of the Mental Health Code. The Provider also agrees that they did not record expenditures related to this income as matchable expenditures on the FYE 2003, 2004, 2005, 2006 & 2007 FSRs filed with the Department, and will not amend said reports to include expenditures related to this income as matchable expenditures.

3. The Provider will not contest the Audit Report Finding #1 financial adjustments related to FYE 2002 included in the Audit Report dated October 2007 resulting in \$417,339 being removed from both Local Funding and Matchable Services.

4. The Department agrees to reverse the Audit Report Finding #1 financial adjustments related to FYE 2001 included in the Audit Report dated October 2007 resulting in \$636,067 being allowed as both Local Funding and Matchable Services. The reversal of the Audit Report Finding #1 expenditure adjustments related to FYE 2001 is shown on Exhibit 1, which is attached hereto and incorporated into this settlement agreement.

5. The Provider will not contest Audit Report Findings #2, #3, #4, #7, #9, #10, #11, #12, #13, #14, #15, #16, #17 and #18; will implement the recommended corrective actions relating to these Financial Reporting findings as summarized below; and will agree to the related financial adjustments pertaining to these Financial Reporting differences for FYEs 2001 and 2002, and prior FYEs related to Audit Report Finding #3 included in the Audit Report dated October 2007. Specifically, regarding the corrective actions, the Provider will prepare FSRs as follows:

- a. report rental expenses under less-than-arms-length leases at amounts that would be allowed under Office of Management and Budget (OMB) Circular A-87 had title to the property vested in the Provider;
- b. report lease expenses under sale and leaseback arrangements in accordance with OMB Circular A-87 provisions (at amounts that would be allowed had the Provider continued to own the property);
- c. report depreciation expense on capital assets according to OMB Circular A-87 provisions rather than bond principal payments;
- d. reduce reported costs by related expense reimbursements (i.e. insurance reimbursements, restitution payments, reimbursement of COBRA expenses, etc.);

- e. properly allocate costs that are to be 100% reimbursed by the Department and those costs that are to be 90% reimbursed by the Department;
- f. properly reduce matchable expenditures by earned contract amounts related to Access Alliance of Michigan expenditures;
- g. properly report SSI revenue and other reimbursements in compliance with contract provisions;
- h. properly report expenditures eligible for 100% reimbursement by the Department and discontinue the practice of increasing these reported costs by the amounts of SSI revenue, other contract revenue and Medicaid savings amounts;
- i. properly distribute administrative costs;
- j. properly record revenues in applicable fiscal years;
- k. properly record Children's Waiver revenues and expenditures in applicable fiscal years;
- l. properly record donation revenue as local revenue;
- m. properly allocate salaries and wages based on personnel activity reports or periodic certifications as required by OMB Circular A-87, and retain supporting documentation; and
- n. use timely percent allocations and properly bill for actual costs according to earned contract provisions.

6. The Department agrees to reverse the Audit Report Finding #5 and Finding #6 financial adjustments included in the Audit Report dated October 2007 related to the FYE 2001 and FYE 2002 funding and abatement of the Internal Service Fund. The reversals of the Audit Report Finding #5 and Finding #6 expenditure adjustments related to FYE 2001 and FYE 2002 are shown on Exhibit 1 and Exhibit 2, respectively, which are attached hereto and incorporated into this settlement agreement.

7. The Provider agrees to provide financial risk protections sufficient to cover the Provider's determination of risk in compliance with the Provider's contract with the Department, and any funding of an Internal Service Fund will comply with the Provider's contract with the Department.

8. The Department agrees to reverse the Audit Report Finding #8 financial adjustments included in the Audit Report dated October 2007 related to FYE 2001 and FYE 2002 capital asset purchases. The reversal of the Audit Report Finding #8 expenditure adjustments related to FYE 2001 and FYE 2002 are shown on Exhibit 1 and Exhibit 2, respectively, which are attached hereto and incorporated into this settlement agreement.

9. The Provider agrees that effective October 1, 2002 all equipment purchases that have a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the Provider's capitalization level established for financial statement purposes, or \$5,000 were, or will be depreciated using the straight line method and in accordance with Department contract requirements.

10. The Provider and the Department agree that as a result of the Department reversing the audit financial adjustments related to Audit Report Findings #5, #6, and #8 according to paragraphs #6 and #8 above; the Department reversing part of the audit financial adjustments related to Audit Report Finding #1 according to paragraph #4 above; the Provider not contesting part of the audit financial adjustments related to Audit Report Finding #1 according to paragraph #3 above; and the Provider not contesting the audit financial adjustments related to Audit Report Findings #2, #3, #4, #7, #9, #10, #11, #12, #13, #14, #15, #16, #17 and #18 according to paragraph #5 above; the Provider owes the Department \$1,190,889 (before allowing any retention of Medicaid Savings earned as a result of audit adjustments) as calculated on Exhibit 3 and Exhibit 4 and summarized on Exhibit 5.

11. The Provider will submit to the Department a Community Reinvestment Strategy showing the planned expenditure of \$787,341 in additional Medicaid savings created as a result of audit adjustments in FYE September 30, 2002 no later than May 30, 2008. The \$787,341 in additional Medicaid savings must be fully expended on services contained in Chapter III of the State Medicaid Manual for Medicaid eligible clients by FYE September 30, 2009.

12. The Provider will pay the audit settlement amount of \$403,548 [\$1,190,889 (from paragraph #10 above) less \$787,341 (from paragraph #11 above)] to the order of the State of Michigan by way of direct payment no later than May 30, 2008. Funds for this payment may not be drawn from the Provider's Medicaid or State General Fund Internal Service Funds established to provide risk financing, Medicaid Savings, or State General Fund Carryforwards.

The payment shall be mailed to:

Michigan Department of Community Health
Accounting Division – Cashiering (CMH)
P.O. Box 30437
Lansing, Michigan 48909

13. The Provider will not include the \$403,548 audit settlement amount, or any accrued liability for the audit settlement, as a matchable expenditure on subsequent Financial Status Reports.

14. This agreement will only be used to enforce its terms, and may be enforced in a court of appropriate jurisdiction.

15. The provisions of this Article I that require continuing performance by the Provider shall terminate when the Provider has satisfied all of the terms of this Article I, or the Provider no longer has a contract with the Department for the provision of mental health supports and services, whichever occurs first.

ARTICLE II

This Agreement is intended to fully and finally settle and resolve all civil and financial liability of the Provider, and the Department for Medicaid and General Fund reimbursement relating to the MSSSC for fiscal years 2000-2001 and 2001-2002, including, but not limited to, the audit adjustments for the time period October 1, 2000 through September 30, 2002, and all claims or defenses that were or could have been raised in the Appeal. Except as necessary to enforce this Agreement, the parties mutually release one another, on their own behalf and on behalf of their principals and agents, from all such liabilities and claims. The parties agree that the terms of the settlement agreement are final and the Department agrees that it will not commence an audit of the Provider's filed FSRs regarding any audit issues identified in the Audit Report dated October 2007 for any fiscal year period that ends prior to October 1, 2006.

It is further agreed and understood by and between the parties hereto that failure of the Provider to pay the audit settlement amount of \$403,548 by way of direct payment by May 30, 2008 will constitute a breach of this Agreement, the positions of the parties will revert to the original positions as if this Agreement had never been executed, and will result in the Department using whatever means necessary, including but not limited to, withholding any and all monies thereafter owed to the Provider to satisfy such obligation including the costs of collection and reasonable attorney's fees attendant therewith.

If the Provider fails to comply with the performance provisions and terms set forth herein (Article I, paragraph #1, #2, #5, #7 and #9), the Department shall use whatever means necessary and appropriate under the circumstances, to enforce the agreement, which may include, but not be limited to, withholding of any and all monies thereafter owed to the Provider to satisfy the obligation.

ARTICLE III

Nothing herein shall be construed in any way as an admission by the Provider of any wrongdoing of any kind, civil, criminal, or otherwise.

ARTICLE IV

This instrument shall not be modified in any manner except by an instrument in writing executed by the parties. If any term or provision of this Agreement or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of the Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

ARTICLE V

Upon execution of this Agreement, the Department and the Provider represent and warrant that they have read this Agreement in full and have a complete understanding of its terms and their implications; and further, the Agreement is signed voluntarily and without coercion.

A copy of the agreement, signed by all parties, will be forwarded to the Provider.

IN WITNESS WHEREOF, the Department and the Provider have caused this Agreement to be executed by their respective officers duly authorized to do so.

Dated at Bay City, Michigan

this 20 day of March, 2008

By: Robert Blackford
Robert L. Blackford, Chief Executive Officer
Bay-Arenac Behavioral Health

Witness: Mari Kemmer

Dated at Bay City, Michigan

this 20 day of March, 2008

By: William T. Powell
William Powell, Board Chair
Bay-Arenac Behavioral Health

Witness: Mari Kemmer

Dated at Lansing, Michigan

this 31st day of March, 2008

By: Janet Olszewski
Janet Olszewski, Director
Michigan Department of Community Health

Witness: Christine Morris

Bay Arenac Behavioral Health
Reversal of Audit Findings for Settlement
FYE 9/30/2001

	"Adjusted Amount" from Audit	Reverse Finding #1	Reverse Finding #6	Reverse Finding #8	Reverse Finding #8	Audit Settlement Amount
A Gross Total Expenditures	28,740,539	636,067		24,060	(2,812)	29,397,854
B Expenditures Not Otherwise Reported	55,770					55,770
D Earned Contracts (Non DCH) Total	1,641,102					1,641,102
1 CMH to CMH	1,518,796					1,518,796
2 Other Earned Contracts	122,303					122,303
E MI Child-Mental Health	11,390					11,390
F Local Total	126,786					126,786
1 Local Cost for State Provided Services	126,786					126,786
G Expenditures From Reserve Balances	2,852,514					2,852,514
1 Carryforward-Sec. 226(2)	1,241,436					1,241,436
2 Internal Service Fund	1,611,078					1,611,078
H MDCH Earned Contracts Total	277,339					277,339
1 PASARR	138,077					138,077
4 PATH/Homeless	36,825					36,825
5 Prevention	33,500					33,500
8 Other DCH Earned Contracts	68,937					68,937
I Matchable Services (A minus B through H)	23,775,638	636,067		24,060	(2,812)	24,432,953
J Payments to MDCH for State Services	1,398,925					1,398,925
K Specialty Managed Care Services Total	18,716,648	597,903	77,212	19,489	(2,278)	19,408,974
1 100% MDCH Matchable Services	7,852,480	597,903	557,554			9,007,937
2 All SSI and Other Reimbursements	26,664					26,664
3 Net MDCH Share for 100% Services (K1-K2)	7,825,816	597,903	557,554	0	0	8,981,273
4 90/10 Matchable Services	10,864,609	0	(480,342)	19,489	(2,278)	10,401,478
5 Medicaid Federal Share	6,103,491	0	(269,856)	10,949	(1,280)	5,843,304
6 Other Reimbursements						0
7 10% Local Match Funds	476,068	0	(21,049)	854	(100)	455,774
8 Net State Share for 90/10 Services (K4-K5-K6-K7)	4,284,609	0	(189,437)	7,686	(898)	4,101,959
9 Total MDCH Share, Spec. Mgd. Care (K3+K5+K8)	18,213,916	597,903	98,261	18,635	(2,178)	18,926,636
L GF Categorical and Formula Services Total	3,049,735	38,164	(77,212)	4,571	(534)	3,014,724
1 100% MDCH Matchable Services	501,350	38,164	35,461			574,975
2 All SSI and Other Reimbursements						0
3 Net GF and formula for 100% Services (L1-L2)	501,350	38,164	35,461	0	0	574,975
4 90/10 Matchable Services	2,548,386	0	(112,673)	4,571	(534)	2,439,750
5 Reimbursements						0
6 10% Local Match Funds	254,839	0	(11,267)	457	(53)	243,975
7 Net GF and formula for 90/10 Services (L4-L5-L6)	2,293,547	0	(101,406)	4,114	(481)	2,195,775
8 Total MDCH GF and Formula (L3+L7)	2,794,897	38,164	(65,945)	4,114	(481)	2,770,750
M Children's Waiver-Total	610,329					610,329
1 Medicaid-Federal Share	342,882					342,882
2 Other Reimbursements	0					0
3 Net State Share (M-M1-M2)	267,447					267,447
4 Total MDCH Share Children's Waiver (M1+M3)	610,329					610,329
N Unobligated Spending Authority Total	29,020					29,020
1 DCH Risk Authorizatoin	29,020					29,020
2 All Other	0					0
O Total Local Match Funds (K7+L6)	730,907	0	(32,316)	1,311	(153)	699,749
P Total MDCH Share of Expenditures (J+K9+L8+M4)	23,018,057	636,067	32,316	22,749	(2,659)	23,706,540

Bay Arenac Behavioral Health
Reversal of Audit Findings for Settlement
FYE 9/30/2002

	"Adjusted Amount" from Audit	Reverse Finding #5	Reverse Finding #5	Reverse Finding #8	Reverse Finding #8	Reverse Finding #8	Audit Settlement Amount
A Gross Total Expenditures	28,931,635	1,311,019	61,880	37,562	(3,130)	(7,087)	30,331,879
D Earned Contracts (Non DCH) Total	1,860,301						1,860,301
1 CMH to CMH	1,657,417						1,657,417
2 Other Earned Contracts	202,884						202,884
E MI Child-Mental Health	17,885						17,885
F Local Total	680,358						680,358
1 Local Cost for State Provided Services	110,280						110,280
2 Other Not Used As Local Match	545,158						545,158
3 Local Match	24,920						24,920
G Expenditures From Reserve Balances	1,910,262						1,910,262
1 Carryforward-Sec. 226(2)	224,276						224,276
2 Medicaid Savings	1,685,986						1,685,986
H MDCH Earned Contracts Total	231,793						231,793
1 PASARR	111,198						111,198
4 PATH/Homeless	36,825						36,825
5 Prevention	6,983						6,983
8 Alzheimer's Demonstration (Bay & Arenac)	76,787						76,787
I Matchable Services (A minus B through H)	24,231,036	1,311,019	61,880	37,562	(3,130)	(7,087)	25,631,280
J Payments to MDCH for State Services	975,105	74,508					1,049,611
K Specialty Managed Care Services Total	19,590,396	949,564	53,095	30,065	(2,505)	(5,672)	20,614,943
1 100% MDCH Matchable Services	19,590,396	949,564	53,095	30,065	(2,505)	(5,672)	20,614,943
2 All SSI and Other Reimbursements	41,898						41,898
3 Net MDCH Share for 100% Services (K1-K2)	19,548,498	949,564	53,095	30,065	(2,505)	(5,672)	20,573,045
9 Total MDCH Share, Spec. Mgd. Care (K3+K5+K8)	19,548,498	949,564	53,095	30,065	(2,505)	(5,672)	20,573,045
L GF Categorical and Formula Services Total	3,448,375	286,949	8,785	7,497	(625)	(1,415)	3,749,566
1 100% MDCH Matchable Services	940,723	50,151	2,510				993,384
2 All SSI and Other Reimbursements							0
3 Net GF and formula for 100% Services (L1-L2)	940,723	50,151	2,510				993,384
4 90/10 Matchable Services	2,504,652	236,798	6,275	7,497	(625)	(1,415)	2,753,182
5 Reimbursements							0
6 10% Local Match Funds	250,465	23,680	628	750	(63)	(142)	275,317
7 Net GF and formula for 90/10 Services (L4-L5-L6)	2,254,187	213,118	5,648	6,747	(562)	(1,273)	2,477,865
8 Total MDCH GF and Formula (L3+L7)	3,194,910	263,269	8,158	6,747	(562)	(1,273)	3,471,249
M Children's Waiver-Total	220,160						220,160
1 Medicaid-Federal Share	0						0
2 Other Reimbursements	0						0
3 Net State Share (M-M1-M2)	220,160	0					220,160
4 Total MDCH Share Children's Waiver (M1+M3)	220,160	0					220,160
O Total Local Match Funds (K7+L6)	930,824	23,680	628	750	(63)	(142)	955,677
P Total MDCH Share of Expenditures (J+K9+L8+M4)	23,938,673	1,287,339	61,253	36,610	(3,067)	(6,945)	25,314,063

Bay Arenac Behavioral Health
 Contract Reconciliation and Cash Settlement Summary (Audit Settlement)
 October 1, 2000 through September 30, 2001

I. Specialized Managed Care (Includes both state and federal share)	MDCH Revenue	MDCH Expense
A. Total - Specialized Managed Care	\$20,131,232	\$18,926,536
B. Maintenance of Effort - Summary	1,791,471	1,764,896
C. Net Specialized Managed Care (A-B)	\$18,339,761	\$17,161,640
II. State/General Fund Formula Funding	Authorization	MDCH Expense
A. GF/Formula - State and Community Managed Programs		
1 State Managed Services	\$ 1,070,372	\$ 1,398,925
2 Community Managed Services	3,596,017	2,770,750
3 Total State and Community Programs - GF/Formula Funding	\$ 4,666,389	\$ 4,169,675
B. Maintenance of Effort - Summary	\$ 94,151	\$ 88,772
C. Categorical, Special And Designated Funds		
1 Respite Grant (Tobacco Tax)	\$ 100,800	\$100,800
2 Permanency Planning Grant	\$ -	\$ -
3 Total Categorical, Special and Designated Funds	\$ 100,800	\$ 100,800
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	\$ 4,471,438	\$ 3,980,103
	Specialized Managed Care	Formula Funds
III. Shared Risk Arrangement		
A. Operating Budget - Exclude MOE and Categorical Funding	\$18,339,761	\$ 4,471,438
B. MDCH Share - Exclude MOE and Categorical Funding	17,161,640	3,980,103
C. Surplus (Deficit)	\$ 1,178,121	\$ 491,335
D. Redirect Freed Up Medicaid Funds	-	-
E. Shared Risk - Surplus (Deficit)	\$ 1,178,121	\$ 491,335
F. Risk Band - 5% of Operating Budget (A x 5%)	\$ 916,988	\$ 223,572

Bay Arenac Behavioral Health
 Contract Reconciliation and Cash Settlement Summary (Audit Settlement)
 October 1, 2000 through September 30, 2001

IV. Cash Settlement	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
A. MDCH Obligation					
1 Specialty Managed Care (Net of MOE)	\$ 17,161,640	\$ 916,988	\$ -	\$18,078,628	
2 GF/Formula Funding (Net of Categorical and MOE)	3,980,103	223,572		4,203,675	
3 MOE Specialty Managed Care MDCH Obligation	1,764,896	3,003		1,767,899	
4 MOE GF/Formula Funding MDCH Obligation	88,772	704		89,476	
5 Categorical - MDCH Obligation	100,800	-		<u>100,800</u>	
6 Total - MDCH Obligation					\$24,240,478
B. Advances -- Prepayments					
1 Specialized Managed Care - Prepayments Through 9/30/01			\$20,131,231		
2 Specialized Managed Care -- FY 99 Prepayments after 9/30/01			<u>-</u>		
3 Subtotal - Specialized Managed Care				\$20,131,231	
4 GF/Formula Funding - (Include MDCH Risk Authorization)				3,524,237	
5 Purchase of Services				1,070,372	
6 Categorical Funding				<u>100,800</u>	
7 Total Prepayments					\$24,826,640
C. Balance Due MDCH					
					\$ 586,162
D. Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				\$ 1,398,925	
Actual Payments to MDCH				<u>1,398,925</u>	
Balance Due MDCH					<u>\$ -</u>
E. Net Balance Due MDCH					
Prior Settlement					<u>(288,776)</u>
Balance Due to MDCH					<u>\$ 297,386</u>

Bay Arenac Behavioral Health
 Contract Reconciliation and Cash Settlement Summary (Audit Settlement)
 October 1, 2001 through September 30, 2002

I. Specialized Managed Care (Includes both state and federal share)	MDCH Revenue	MDCH Expense
A. Total - Specialized Managed Care	\$21,564,271	\$20,573,045
B. Maintenance of Effort – Summary	1,761,298	1,761,298
C. Net Specialized Managed Care (A-B)	\$19,802,973	\$18,811,747
II. State/General Fund Formula Funding		MDCH
A. GF/Formula - State and Community Managed Programs	Authorization	Expense
1 State Managed Services	\$ 1,390,651	\$ 1,049,611
2 Community Managed Services	3,262,464	3,471,249
3 Total State and Community Programs - GF/Formula Funding	\$ 4,653,115	\$ 4,520,860
B. Maintenance of Effort – Summary	\$ 119,324	\$ 119,324
C. Categorical, Special And Designated Funds		
1 Respite Grant (Tobacco Tax)	\$ 100,800	\$100,800
2 Permanency Planning Grant	\$ -	\$ -
3 Total Categorical, Special and Designated Funds	\$ 100,800	\$ 100,800
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	\$ 4,432,991	\$ 4,300,736
	Specialized Managed Care	Formula Funds
III. Shared Risk Arrangement		
A. Operating Budget - Exclude MOE and Categorical Funding	\$19,802,973	\$ 4,432,991
B. MDCH Share – Exclude MOE and Categorical Funding	18,811,747	4,300,736
C. Surplus (Deficit)	\$ 991,226	\$ 132,255
D. Redirect Freed Up Medicaid Funds	-	-
E. Shared Risk - Surplus (Deficit)	\$ 991,226	\$ 132,255
F. Risk Band - 5% of Operating Budget (A x 5%)	\$ 990,149	\$ 221,650

Bay Arenac Behavioral Health
 Contract Reconciliation and Cash Settlement Summary (Audit Settlement)
 October 1, 2001 through September 30, 2002

IV. Cash Settlement	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
A. MDCH Obligation					
1 Specialty Managed Care (Net of MOE)	\$18,811,747	\$ 202,808*	\$ -	\$19,014,555	
2 GF/Formula Funding (Net of Categorical and MOE)	4,300,736	132,255		4,432,991	
3 MOE Specialty Managed Care MDCH Obligation	1,761,298	-		1,761,298	
4 MOE GF/Formula Funding MDCH Obligation	119,324	-		119,324	
5 Categorical - MDCH Obligation	100,800	-		<u>100,800</u>	
6 Total MDCH Obligation					\$25,428,968
B. Advances – Prepayments					
1 Specialized Managed Care – Prepayments Through 9/30/02			\$21,564,271		
2 Specialized Managed Care – FY 99 Prepayments after 9/30/02			<u>-</u>		
3 Subtotal - Specialized Managed Care				\$21,564,271	
4 GF/Formula Funding - (Include MDCH Risk Authorization)				3,190,684	
5 Purchase of Services				1,390,651	
6 Categorical Funding				<u>100,800</u>	
7 Total Prepayments					<u>\$26,246,406</u>
C. Balance Due MDCH					
					\$ 817,438
D. Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				\$ 975,105	
Actual Payments to MDCH				<u>975,105</u>	
Balance Due MDCH					<u>\$ -</u>
E. Net Balance Due MDCH					
					\$ 817,438
Prior Settlement					<u>(29,055)</u>
Balance Due to MDCH					<u><u>\$ 788,383</u></u>

*Retention of additional Medicaid Savings of \$787,341 as a result of audit adjustments contingent on inclusion in an approved Medicaid Savings Plan as required by Section 8.8.2.2 of the MSSSC.

Bay Arenac Behavioral Health
Summary of Balance Due
October 1, 2000 through September 30, 2002

FY 2001 MDCH Advances in Excess of MDCH Obligation (Exhibit 3 – pg. 2 of 2)	\$586,162
FY 2001 Prior Settlement (Exhibit 3 – pg. 2 of 2)	(288,776)
FY 2002 MDCH Advances in Excess of MDCH Obligation (Exhibit 4 – pg. 2 of 2)	817,438
FY 2002 Prior Settlement (Exhibit 4 – pg. 2 of 2)	(29,055)
Prior Period adjustment for Lease Overcharges (Audit Finding #3 conceded by BABH)	<u>105,120</u>
Subtotal Balance Due to MDCH (before allowing retention of Medicaid Savings earned in FY 2002 as a result of audit adjustments)	\$1,190,889
Less: BABH retention of Medicaid Savings earned in FY 2002 as a result of audit adjustments (based on agreement of BABH to submit a Community Reinvestment Strategy for this additional savings)	<u>(787,341)</u>
Total Balance due to MDCH	<u>\$403,548</u>