1.0   General Report Overview

The establishment of an Internal Service Fund (ISF) is one method for securing funds as part of the overall strategy for covering risk exposure under the Medicaid Managed Specialty Supports and Services Concurrent 1915(b)/(c) Waiver Program Contract (Contract). The ISF should be kept at a minimum to assure that the overall level of Prepaid Inpatient Health Plan (PIHP) funds are directed toward consumer services. For further information refer to Part II – Section 7.7.4 PIHP Assurance of Financial Risk Protection and Attachment P.7.7.4.1 Internal Service Fund Technical Requirement of the Contract.

The final Medicaid ISF report is the basis for the Contract Reconciliation and Cash Settlement and must reflect all activities for the entire fiscal year (FY) including any adjustments necessary to maintain the ISF within the maximum allowable funding level as defined in the ISF Technical Requirement.

2.0   Report - Due Dates

Refer to the reporting grid incorporated in Attachment P.7.8.1 of the Contract for identification of report due dates. The reporting grid can be found on the MDCH website: http://www.michigan.gov/mdch/0,4612,7-132-2941_38765---,00.htm

3.0   Report Submission

3.1   Report Submitted via US Mail

This is no longer applicable. Electronic report submission required.

3.2   Report Submission – Electronic

The report should be submitted electronically to the department by the due date identified in 2.0 above at MDCH-MHSA-Contracts-MGMT@michigan.gov.

The report's file name must identify the reporting fiscal year, period covered (submission type), agency name, report title and date of submission. Example: For the FY 13 Year End Interim submitted from network180 for the Medicaid ISF, the file name should read **FY13 Year End Interim network180 FSR Bundle 11-10-2013.**

Note: The Medicaid ISF is included in the FSR Bundle. It is not a stand-alone report.

Refer to the Electronic Report Submission Guidelines for report submission specifications.

4.0 Report Specific Navigation or Terminology

The Internal Service Fund – Medicaid worksheet includes cell shading to assist the end user with completion of the form.

Report headers are shaded in light green.

Cells requiring data entry are shaded in yellow.

Cells that are formula driven and should not have data entered are not shaded.

Select cells have conditional formatting applied so that if an erroneous entry is made the cell will turn orange.

Worksheet protection has been enabled.

Precision as displayed functionality has been enabled. As such, Excel will utilize the displayed value instead of the stored value when it recalculates formulas.

The term "Submission Type" on the worksheet refers to the reporting period, i.e., Interim, Final, Projection.

5.0 Instructions for Completion of the Report

The PIHP name, Fiscal Year, Submission Type and Submission Date have been brought forward from the FSR – Medicaid.

5.1 Section 1 – Internal Service Fund Fiscal Year Activity

The purpose of this section is to identify the ISF held by the PIHP and must report the following:

ISF Balance @ Beginning of Fiscal Year – Enter the beginning balance of the ISF in the row titled "ISF Balances / Current Activity".

Current Period ISF Contributions Interest Earned – This column represents the current period interest earned on the ISF. The PIHP must enter the total interest earned on the ISF during the reporting period in the row titled "ISF Balances / Current Activity".

Current Period ISF Contributions Deposits – This column represents the current period contributions to the ISF. The ISF Technical Requirement specifies that the amount of funds paid (deposited) to the ISF must comply with Government Accounting Standards Board (GASB) Statement No. 10, *General Principles of Liability Recognition*, or such other authoritative guidance as issued by the American Institute of Certified Public Accountants (AICPA). Additionally, the estimated liability is computed based on an actuarial method or historical cost information as provided

under the Office of Management and Budget (OMB) Circular A-87, Attachment B, paragraph 25(d). State funds paid to the ISF shall retain their character as State funds in accordance with the Mental Health Code and shall not be used as local funds. Enter the amount deposited to the ISF during the reporting period in the row titled "ISF Balances / Current Activity".

Current Period ISF Reduction (Abatement) – The column represents the current period abatement of the ISF due to over funding. Enter as a **negative** the total abatement in the row titled "ISF Balances / Current Activity".

Current Period ISF Financing (Risk) – This column represents the current period usage of the ISF to fund expenditures in the PIHP risk corridor. Enter as a **negative** the total ISF usage to finance the PIHP risk in the row titled "ISF Balances / Current Activity".

Current Period ISF Reduction (Refund to MDCH) – This column represents the current period refund of the ISF due to over funding. Enter as a **negative** the total refund to the MDCH in the row titled "ISF Balances / Current Activity".
ISF Ending Balance – This column represents the ending balance of the ISF after current period activity has been taken into consideration. The column is formula driven. The formula is the *sum of the beginning balance and the current period activity (contributions of interest earned, deposit, ISF abatement, ISF financing and refund to MDCH)*.

5.2 Section 2 – PIHP Maximum Allowable Funding of ISF

This section calculates the maximum allowable funding of the ISF based on the Specialty Managed Care – Medicaid Capitation (authorization) times the maximum percentage (7.5%) that the PIHP is financially responsible for.

Section 2.a – Specialty Managed Care – Medicaid Capitation
This cell represents the accrued Medicaid capitation (authorization) for the current FY. The cell is formula driven. The formula is *plus FSR - Medicaid A 120, Column I.*

Section 2.b – % of Current Year Medicaid Capitation
This cell indicates the percentage (7.5%) used to calculate the maximum that the PIHP is financially responsible for.

Section 2.c – Maximum Allowable Funding of Med ISF
This cell represents the maximum allowable funding level of the Medicaid ISF. This cell is formula driven. The formula is *Specialty Managed Care – Medicaid Capitation (2.a) times % of Current Year Medicaid Capitation (2.b).*

5.3   Section 3 – Disposition of ISF Ending Balance

This section represents the maximum allowable Medicaid ISF balance, the Medicaid ISF Ending Balance and whether or not the Medicaid ISF ending balance is within the MDCH maximum allowable limit.

Section 3.a – Maximum Allowable Funding of Medicaid ISF
This cell represents the maximum allowable Medicaid ISF. This cell if formula driven. The formula is *plus Maximum Allowable Funding of Med ISF (Section 2.c)*.

Section 3.b – Medicaid ISF Ending Balance
This cell represents the reporting period Medicaid ISF ending balance. This cell is formula driven. The formula is *plus ISF Ending Balance (Section 1.a)*.

Section 3.c - Within Maximum Allowable Limit / (Over Funded)
This cell identifies whether the Medicaid ISF is within the maximum allowable limit or whether the Medicaid ISF is over funded. This cell is formula driven. The formula is *plus Maximum Allowable Funding of Medicaid ISF (3.a) less Medicaid ISF End Balance (3.b)*.

If the Medicaid ISF is over funded, a narrative description of how the PIHP will resolve the over funded ISF must be entered in the **Narrative of Resolution if ISF Over Funded** section. If this space is insufficient, please utilize the "Additional Narrative" tab within the FSR Bundle.