

**Community Mental Health Affiliation
of Mid-Michigan**

PROCEDURE: 7.3	Page 1 of 2	SUBJECT: Risk Management - ISF
Related Policy: 7.0		SUBJECT: Financial Management
Issuing Directors: PIHP Finance Director, and Director of Affiliation Operations		Original Effective Date: 10/1/2002

REVISED DATE

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Review Date(s)

08/16/06	02/02/09				
12/14/06	02/17/10				
02/05/08	01/19/11				

I. PURPOSE:

The CMHA-CEI PIHP may establish an internal service fund as a method for securing funds as part of the overall risk management strategy for covering risk exposure under the DCH Managed Specialty Supports and Services contract.

II. STANDARDS:

The following federal and state statues, contracts and technical specifications establish the standards for CMHAMM's Risk Management – ISF procedure:

- A. BBA
- B. OMB Circular A-87
- C. Medicaid Managed Specialty Supports Services Concurrent 1915(b)(c) Waiver Program Attachment 7.7.4.1 Internal Service Fund Technical Requirements.
- D. CMHSP/CA Medicaid Subcontracts
- E. GAAP

III. DEFINITION:

- A. **ISF:**
Internal Service Fund is a risk reserve fund.

IV. PROCEDURES:

- A. As an integral part of this risk management plan, the PIHP shall determine, with input from the Finance Workgroup, the necessity for, and the optimal funding amounts for an ISF.
- B. The ISF shall be maintained by the PIHP.
- C. The Finance Workgroup shall determine, at least annually, the optimum ISF funding levels for the PIHP. The ISF funding methodology shall be reviewed by the Finance Workgroup for actuarial soundness.

V. APPLICATION:

CMHA-CEI PIHP and all affiliate CMHSPs/CAs

VI. MONITOR AND REVIEW:

Compliance with this procedure is ensured by the PIHP's Finance Director with guidance from the Finance Workgroup. This procedure is reviewed annually by the Director of Affiliation Operations. External review will include MDCFH and CMS site visits and annual financial audits.

VII. RELATED POLICIES AND PROCEDURES:

CMHAMM Policy 7.0 Financial Management