

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

PROCEDURE: 7.6	Page 1 of 2	SUBJECT: Costing - Finance
Related Policy: 7.0		SUBJECT: Financial Management
Issuing Directors: PIHP Finance Director and Director of Affiliation Operations		Original Effective Date: 08/22/08

REVISED DATE

09/09/08

Review Date(s)

09/02/09					
09/17/10					
09/19/11					

I. PURPOSE:

Define procedures for unit costing system.

Define the procedure for comparison of affiliation rates with other PIHP rates within the state.

Define the procedure for regular review of unit cost data and ensure that unit costs are within MDCH established cost parameters.

II. STANDARDS:

Medicaid Managed Specialty Supports Services Concurrent 1915 (b)(c) Waiver Program Contract

III. DEFINITION(S):

A. MUNC: Medicaid Utilization Net Cost

IV. PROCEDURES:

- A. Each CMHSP will calculate unit costs on an annual basis:
 - 1. Unit costs will be calculated using full accrual accounting and encounter data services
 - 2. Unit costs will be calculated based on staff time associated with services provided and costs will be allocated to services provided

- B. Each CMHSP will incorporate unit costs into annual MUNC reports:
 - 1. Each CMHSP will submit MUNC reports to PIHP annually
 - 2. The PIHP will compile data into one PIHP report for submission to MDCH

- C. PIHP will compare affiliation rates to rates throughout the state on an annual basis:
 - 1. Annual submission by MDCH of MUNC data by PIHP will be reviewed by PIHP to determine codes where the affiliation is a cost outlier
 - 2. For those codes where our affiliation is a cost outlier:
 - a. PIHP will determine, from MUNC reports, which CMHSP within the affiliation is an outlier (IS procedure 6.2 IV.3 productivity data will be used to analyze rates); and
 - b. Request from outlier CMHSP an analysis, including a wide range of data (program model, business model, clinical model, other client services, geographic disparities, and productivity) and steps that will be taken to bring costs within range

-OR-

- c. Request from outlier CMHSP reasons for which their program cannot or should not be modified

- D. PIHP will provide opportunities to learn from others by providing comparison data of PIHPs across the state and comparison data of affiliates within the affiliation. The following venues provide those opportunities:
 - 1. Data will be reviewed by senior management within each affiliate
 - 2. Data will be reviewed by management within each program within an affiliate
 - 3. Data will be reviewed by senior management in an affiliation-wide venue
 - 4. Data will be reviewed by staff within a cost center or program

V. APPLICATION:

CMHA-CEI PIHP and all CMHSPs

VI. MONITOR AND REVIEW:

The PIHP Finance Director will monitor these functions across the Affiliation. This procedure is reviewed annually by the Director of Affiliation Operations. External review will include annual financial and compliance audits.

VII. RELATED POLICIES AND PROCEDURES:

CMHAMM Policy 7.0 Financial Management