

STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

August 11, 2020

SENT VIA ELECTRONIC MAIL

The Honorable Josh Dobson, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 307B, Legislative Office Building
Raleigh, NC 27603

The Honorable Joyce Krawiec, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 308, Legislative Office Building
Raleigh, NC 27603

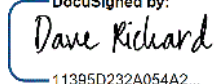
The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Health and Human Services
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

Dear Chairmen:

Session Law 2018-5, Section 11F.10.(c), requires the Department of Health and Human Services ("Department") to submit a quarterly report detailing the solvency ranges and comparisons required under subsection (b) of this section for each LME/MCO. The Department shall include in its report a copy of any new corrective action plans developed as a result of those comparisons, as well as any status updates on previously reported corrective action plans. Pursuant to the provisions of law, the Department is pleased to submit the attached report for the quarter ending March 31, 2020.

Should you have any questions, please contact Kody Kinsley, Deputy Secretary for Behavioral Health and Intellectual/Developmental Disabilities at (919) 733-7011.

Sincerely,

DocuSigned by:
 half of
Mandy Cohen, MD, MPH
Secretary

cc:	Matt Gross	Hattie Gawande	Rob Kindsvatter	Dave Richard	Kody Kinsley
	Joyce Jones	Jared Simmons	Katherine Restrepo	Marjorie Donaldson	Lisa Wilks
	Theresa Matula	Erin Matteson	Ben Money	Zack Wortman	Mark Collins
	Susan G. Perry	Jessica Meed	reports@ncleg.net	Luke MacDonald	Jane Chiulli

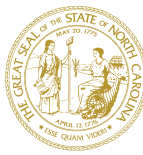
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DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

August 11, 2020

SENT VIA ELECTRONIC MAIL

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee on
Medicaid and NC Health Choice
North Carolina General Assembly
Room 303, Legislative Office Building
Raleigh, NC 27603

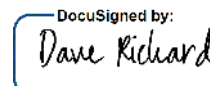
The Honorable Joyce Krawiec, Chair
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on behalf of
11395D232A054A2...
Mandy Cohen, MD, MPH
Secretary

cc:	Matt Gross	Hattie Gawande	Rob Kindsvatter	Dave Richard	Kody Kinsley
	Joyce Jones	Jared Simmons	Katherine Restrepo	Marjorie Donaldson	Lisa Wilks
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STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

August 11, 2020

SENT VIA ELECTRONIC MAIL

Mr. Mark Trogon, Director
Fiscal Research Division
Suite 619, Legislative Office Building
Raleigh, NC 27603

Dear Director Trogon:

Session Law 2018-5, Section 11F.10.(c), requires the Department of Health and Human Services ("Department") to submit a quarterly report detailing the solvency ranges and comparisons required under subsection (b) of this section for each LME/MCO. The Department shall include in its report a copy of any new corrective action plans developed as a result of those comparisons, as well as any status updates on previously reported corrective action plans. Pursuant to the provisions of law, the Department is pleased to submit the attached report for the quarter ending March 31, 2020.

Should you have any questions, please contact Kody Kinsley, Deputy Secretary for Behavioral Health and Intellectual/Developmental Disabilities at (919) 733-7011.

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Mandy Cohen, MD, MPH
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**LME/MCO Solvency Ranges
Quarter Ending March 31, 2020**

Session Law 2018-5, Section 11F.10(c)



Report to

**The Joint Legislative Oversight Committee on
Medicaid and NC Health Choice,**

**The Joint Legislative Oversight Committee on
Health and Human Services,**

and

The Fiscal Research Division

By

North Carolina Department of Health and Human Services

August 11, 2020

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Reporting Requirements:

Session Law 2018-5; Senate Bill 99, SECTION 11F.10.(b) Part 2 of Article 4 of Chapter 122C of the General Statutes is amended by adding a new section to read:

"§ 122C-125.2. LME/MCO solvency ranges; formula; corrective action plan.

(a) Beginning on September 1, 2018, the Department shall calculate on a quarterly basis a solvency range for each LME/MCO as a sum of the following figures to produce upper and lower range values:

- (1) Incurred but not reported claims figure. – The incurred but not reported claims figure shall be calculated by multiplying an LME/MCO's service spending for the preceding 12 months by six and eight-tenths percent (6.8%). If an LME/MCO experiences extenuating circumstances supported by actuarial documentation, then the Department may utilize a percentage other than six and eight-tenths (6.8%) for that LME/MCO.
- (2) Net operating liabilities figure. – The net operating liabilities figure shall be calculated by subtracting noncash current accounts receivable from the nonclaims current liabilities, as reported on the LME/MCO's most recent balance sheet. If the noncash accounts receivables are greater than the nonclaim liabilities, then the value for the net operating liabilities figure is zero.
- (3) Catastrophic or extraordinary events range. – The catastrophic or extraordinary events range shall be calculated as the range between a lower figure and an upper figure. The lower figure shall be calculated by multiplying an LME/MCO's service expenditures from the preceding 12 months by four and fifteen-hundredths percent (4.15%). The upper figure shall be calculated by multiplying an LME/MCO's service expenditures from the preceding 12 months by eight and three-tenths percent (8.3%).
- (4) Required intergovernmental transfers figure. – The required intergovernmental transfers figure is the amount of funds needed by an LME/MCO to make any intergovernmental transfers required by law over the subsequent 24 months.
- (5) Projected operating loss figure. – The projected operating loss figure is the projected net loss for an LME/MCO over the subsequent 24 months. In projecting the net loss for an LME/MCO, the Department shall use the net loss of the LME/MCO in the preceding 12 months adjusted for any changes in single-stream funding, intergovernmental transfers, or other factors known to the Department that will impact the LME/MCO's net loss over the subsequent 24 months. If a net profit is projected for an LME/MCO, then this figure is zero.
- (6) Reinvestment plan figure. – The reinvestment plan figure is the amount required for all qualifying expenditures contained in an LME/MCO's reinvestment plans over the subsequent 36 months. To

qualify as an expenditure under this subdivision, the expenditure must be related to one of the following:

- a. An initiative that supports specific goals or health status outcomes of the State in relation to the State's behavioral health needs.
- b. An initiative that meets a State behavioral health need, as defined in law or by the Department.
- c. Funding for infrastructure that supports the effective and efficient operation of the LME/MCO.
- d. Funding for a facility within the LME/MCO catchment area that is necessary to meet to the needs of the population served by the LME/MCO.
- e. New or expanded initiatives and programmatic improvements to the State behavioral health system.
- f. Working capital to be utilized to fund changes in rates, operations, or programs.

(b) Upon calculation of the solvency range for each LME/MCO required by subsection (a) of this section, the Department shall compare the cash balance of each LME/MCO to its solvency range. For purposes of this subsection, the cash balance shall consist of the total of the LME/MCO's cash and investment balances, including its Medicaid Risk Reserve, as reported on the LME/MCO's most recent balance sheet. Upon comparison of an LME/MCO's cash balance to its solvency range, the Department shall take one of the following actions:

- (1) If an LME/MCO's cash balance is five percent (5%) or more below the lower solvency range figure or five percent (5%) or more above the upper solvency range figure, then the Department shall notify the LME/MCO and the Fiscal Research Division of the General Assembly of the comparison results. Within 30 days from providing notice to the LME/MCO, the Department shall develop, in collaboration with the LME/MCO, a corrective action plan for the LME/MCO. The corrective action plan must include specific actions, which may include changes to the LME/MCO's reinvestment plan, utilization management, and capitation or provider rates, to bring the LME/MCO's cash balance within the solvency range, as well as a time line for implementation of these actions.
- (2) If an LME/MCO's cash balance is neither five percent (5%) or more below the lower solvency range figure nor five percent (5%) or more above the upper solvency range figure, then the Department shall notify the LME/MCO and the Fiscal Research Division of the General Assembly of the LME/MCO's solvency range for the quarter and the Department's comparison of the LME/MCO's cash balance to this solvency range. No further action shall be required.

Background:

The General Assembly has asserted that a viable State- and federally-funded behavioral health system is critical to accomplishing the State's goals for behavioral health, meeting the needs of covered populations, and achieving the desired outcomes detailed in the Department of Health and Human Services' (Department) Strategic Plan for Improvement of Behavioral Health Services. To better assess the viability of the State's behavioral health system, the General Assembly developed a method, outlined in G.S. 122C-125.2, designed to measure the financial standing of local management entities/managed care organizations (LME/MCOs). This method utilizes standard calculations of each LME/MCO's statutorily defined "cash balance" and "solvency range" to evaluate the LME/MCO's financial position.

The General Assembly directed the Department to report quarterly on the statutory solvency calculation for each LME/MCO, identifying which, if any, LME/MCOs have a cash balance that is 5% or more outside its solvency range. Further, the General Assembly directed the Department to develop, in collaboration with an LME/MCO that is 5% or more outside its solvency range, a Corrective Action Plan (CAP) for bringing the LME/MCO back within the range.

The CAP provides an opportunity for the LME/MCO to document how it will address being outside the solvency range. This CAP may include changes to the LME/MCO reinvestment plan, utilization management, and/or capitation or provider rates, to bring the LME/MCO's cash balance within solvency range. Each CAP will include a time line for implementation of the identified actions. The CAP Process is as follows:

1. The Department notifies the LME/MCO of non-compliance with the solvency standard.
2. The LME/MCO submits the proposed CAP to the Department within 30 days of receiving notice.
3. Either the Department accepts the CAP and the LME/MCO is placed on a quarterly review cycle or the Department provides feedback to help the LME/MCO produce an acceptable CAP.
4. Once the CAP is approved, the Department reviews on a quarterly basis the LME/MCO's progress toward implementing the CAP.
5. The Department sends a letter to the LME/MCO acknowledging completion of the CAP and closing the review or the LME/MCO is placed on monthly monitoring until the CAP is resolved.

Executive Summary:

The results of the quarter ending March 31, 2020, solvency calculations indicate that the following three LME/MCOs are outside the allowable solvency range and are therefore required to submit a proposed CAP using a standard Department-supplied template (see attached Appendix A).

LME/MCOs that are 5% or more below the lower solvency range figure:

- Eastpointe Human Resources
- Partners Behavioral Health
- Trillium Health Resources

Calculations:

The results of each statutorily required calculation are presented in tables 1-7, which follow the brief description section below. ***Unless noted, each calculation has been completed exactly as specified in the statutory reporting requirement.*** Where the statute provides Department discretion, as in the projection of operating loss (#5), the report describes the Department's methodology.

As directed in subsection (a) of the reporting requirement, the upper and lower bounds of the solvency range for each LME/MCO is calculated as the sum of the figures calculated in steps 1-6.

1) Incurred but not reported claims figure. (Table 1) – The incurred but not reported claims figure shall be calculated by multiplying an LME/MCO's service spending for the preceding 12 months by six and eight-tenths percent (6.8%). If an LME/MCO experiences extenuating circumstances supported by actuarial documentation, then the Department may utilize a percentage other than six and eight-tenths (6.8%) for that LME/MCO.

(2) Net operating liabilities figure. (Table 2) – The net operating liabilities figure shall be calculated by subtracting noncash current accounts receivable from the nonclaims current liabilities, as reported on the LME/MCO's most recent balance sheet. If the noncash accounts receivables are greater than the nonclaim liabilities, then the value for the net operating liabilities figure is zero.

(3) Catastrophic or extraordinary events range. (Table 3) – The catastrophic or extraordinary events range shall be calculated as the range between a lower figure and an upper figure. The lower figure shall be calculated by multiplying an LME/MCO's service expenditures from the preceding 12 months by four and fifteen-hundredths percent (4.15%). The upper figure shall be calculated by multiplying an LME/MCO's service expenditures from the preceding 12 months by eight and three-tenths percent (8.3%).

(4) Required intergovernmental transfers figure. (Table 4) – The required intergovernmental transfers figure is the amount of funds needed by an LME/MCO to make any intergovernmental transfers required by law over the subsequent 24 months (*note: the General Assembly specifies these amounts in session law*).

(5) Projected operating loss figure. (Table 5) – The projected operating loss figure is the projected net loss for an LME/MCO over the subsequent 24 months. In projecting the net loss for an LME/MCO, the Department shall use the prior 12 months net loss of the LME/MCO adjusted for any changes in single-stream funding, intergovernmental transfers, or other factors known to the Department that will impact the LME/MCO's net loss over the subsequent 24 months. If a net profit is projected for an LME/MCO, then this figure is zero.

Notes on Department Methodology for Projected Operating Loss: In the initial five quarterly legislative solvency reports, the Department took a conservative approach to forecasting future LME/MCO expenditures by assuming that, going forward, each LME/MCO would expend 100% of its projected Medicaid revenue, net of the 2% that would go into the required risk reserve; in other words, the projected expenditures in the subsequent 24 months were assumed to be 98% of projected revenue. This approach derived from an understanding that the Department funded each LME/MCO with actuarially sound per member per month (PMPM) capitated rates developed and certified by contracted professional actuaries, Mercer Government Human Services Consulting, and approved by the Centers for Medicaid and Medicare Services (CMS) to support LME/MCO services for Medicaid beneficiaries for each given funding period (typically a State fiscal year, but occasionally for portions of a year). Per federal Code of Federal Regulations (CFR) 438.4, "Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract

and for the operation of the MCO.” In other words, the funding provided for a given year should enable each LME/MCO to operate at “break even” (i.e., operate without a loss) going forward.^{1 2}

Beginning with the report for quarter ending September 30, 2019, in light of observed sustained LME/MCO expenditure trends, the Department has shifted to using an LME/MCO-specific “expenditure adjustment factor” that provides more insight into each entity’s projected future expenditures. The factor, which is calculated from each LME/MCO’s financial statements, is a ratio of Medicaid expenditures to revenues for the 12 months immediately preceding the quarter that is the subject of the legislative report. The factors for the LME/MCOs for this quarter’s report are as follows:

- Alliance Behavioral Healthcare – 98.33%
- Cardinal Innovations – 101.62%
- Eastpointe Human Services – 100.82%
- Partners Behavioral Health – 103.68%
- Sandhills Center – 105.08%
- Trillium Health Resources – 101.50%
- Vaya Health – 101.87%

The effect of the adjustment factor is that each LME/MCO with a factor over 98% is projected to operate their Medicaid program at a loss annually for the subsequent 24 months. The percentage points over 98% are applied to the projected revenue for the following year to produce a dollar amount of operating loss that is then assumed for the second subsequent year, as well. The Department notes that the actual operating loss in the subsequent 24 months is likely to vary, particularly in months 12-24, from this projection that is based on data from a point in time. As noted elsewhere in this report, management choices and unforeseen circumstances affecting membership and service intensity could lead actual LME/MCO financial performance, particularly in months 12-24, to vary significantly from the projection.

(6) Reinvestment plan figure. (Table 6) – The reinvestment plan figure is the amount required for all qualifying expenditures contained in an LME/MCO's reinvestment plans over the subsequent 36 months.

(b) Solvency Range. (Table 7) - Upon calculation of the solvency range for each LME/MCO required by subsection (a) of this section, the Department shall compare the cash balance of each LME/MCO to its solvency range. For purposes of this subsection, the cash balance shall consist of the total of the LME/MCO's cash and investment balances, including its Medicaid Risk Reserve, as reported on the LME/MCO's most recent balance sheet. Upon comparison of an LME/MCO's cash balance to its solvency range, the Department shall take one of the following actions:

(1) If an LME/MCO's cash balance is five percent (5%) or more below the lower solvency range figure or five percent (5%) or more above the upper solvency range figure, then the Department shall notify the LME/MCO and the Fiscal Research Division of the General Assembly of the comparison results. Within 30 days from providing notice to the LME/MCO, the Department shall develop, in collaboration with the LME/MCO, a corrective action plan for the LME/MCO. The corrective action plan must include specific actions, which may include changes to the LME/MCO's reinvestment plan,

¹ To the extent that management choices and/or unforeseen circumstances in a given year led to an LME/MCO operating at a loss (i.e., expending >98% of their Medicaid revenue), the entity would need to use fund balances or other funds (such as liquidated long-term investments) to make up for the operating loss. Availability of such additional resources has varied over time and across LME/MCOs.

² Projections do not account for any impact of the COVID-19 public health emergency.

utilization management, and capitation or provider rates, to bring the LME/MCO's cash balance within the solvency range, as well as a time line for implementation of these actions.

(2) If an LME/MCO's cash balance is neither five percent (5%) or more below the lower solvency range figure nor five percent (5%) or more above the upper solvency range figure, then the Department shall notify the LME/MCO and the Fiscal Research Division of the General Assembly of the LME/MCO's solvency range for the quarter and the Department's comparison of the LME/MCO's cash balance to this solvency range. No further action shall be required.

Incurred But Not Reported (IBNR)

LME/MCO's service spending for the preceding 12 months assuming a 6.80% average IBNR

	<u>Medicaid</u>		<u>Non-Medicaid</u>		<u>Total</u>
Alliance Behavioral Healthcare	\$	25,411,544	\$	6,941,079	\$ 32,352,623
Cardinal Innovations	\$	45,254,526	\$	8,677,902	\$ 53,932,429
Eastpointe Human Services	\$	15,394,912	\$	2,866,071	\$ 18,260,983
Partners Behavioral Health	\$	17,909,859	\$	3,898,634	\$ 21,808,494
Sandhills Center	\$	16,940,810	\$	3,746,898	\$ 20,687,708
Trillium Health Resources	\$	25,707,658	\$	6,462,941	\$ 32,170,600
Vaya Health	\$	19,737,596	\$	5,555,126	\$ 25,292,723

Net Operating Liabilities

LME/MCO's current liabilities excluding IBNR minus noncash current accounts receivable.

If the noncash accounts receivables are greater than the nonclaim liabilities in total, then this figure appears as zero.

	<u>Medicaid</u>	<u>Non-Medicaid</u>	<u>Sum</u>	<u>Total</u>
Alliance Behavioral Healthcare	\$ 2,303,390	\$ 30,159,752	\$ 32,463,142	\$ 32,463,142
Cardinal Innovations	\$ (6,198,807)	\$ 12,366,198	\$ 6,167,391	\$ 6,167,391
Eastpointe Human Services	\$ 1,751,713	\$ 113,424	\$ 1,865,137	\$ 1,865,137
Partners Behavioral Health	\$ 9,311,514	\$ 8,419,081	\$ 17,730,595	\$ 17,730,595
Sandhills Center	\$ 6,998,423	\$ (1,759,084)	\$ 5,239,339	\$ 5,239,339
Trillium Health Resources	\$ 2,316,366	\$ 8,344,266	\$ 10,660,632	\$ 10,660,632
Vaya Health	\$ (4,766,218)	\$ 5,401,075	\$ 634,857	\$ 634,857

Catastrophic Events Range

LME/MCO's service spending for the preceding 12 months multiplied by 4.15% and 8.30% to calculate an upper and lower range respectively

		<u>Medicaid</u>	<u>Non-Medicaid</u>	<u>Total</u>
Alliance Behavioral Healthcare	4.15% EER Lower Figure	\$ 15,508,516	\$ 4,236,100	\$ 19,744,616
	8.30% EER Lower Figure	\$ 31,017,032	\$ 8,472,199	\$ 39,489,231
Cardinal Innovations	4.15% EER Lower Figure	\$ 27,618,571	\$ 5,296,073	\$ 32,914,644
	8.30% EER Lower Figure	\$ 55,237,142	\$ 10,592,146	\$ 65,829,288
Eastpointe Human Services	4.15% EER Lower Figure	\$ 9,395,424	\$ 1,749,146	\$ 11,144,570
	8.30% EER Lower Figure	\$ 18,790,849	\$ 3,498,292	\$ 22,289,141
Partners Behavioral Health	4.15% EER Lower Figure	\$ 10,930,282	\$ 2,379,314	\$ 13,309,595
	8.30% EER Lower Figure	\$ 21,860,563	\$ 4,758,627	\$ 26,619,191
Sandhills Center	4.15% EER Lower Figure	\$ 10,338,877	\$ 2,286,710	\$ 12,625,587
	8.30% EER Lower Figure	\$ 20,677,754	\$ 4,573,419	\$ 25,251,173
Trillium Health Resources	4.15% EER Lower Figure	\$ 15,689,233	\$ 3,944,295	\$ 19,633,528
	8.30% EER Lower Figure	\$ 31,378,465	\$ 7,888,590	\$ 39,267,056
Vaya Health	4.15% EER Lower Figure	\$ 12,045,739	\$ 3,390,261	\$ 15,436,000
	8.30% EER Lower Figure	\$ 24,091,478	\$ 6,780,522	\$ 30,872,000

Intergovernmental Transfers

Funds needed by an LME/MCO to make any intergovernmental transfers required by law over the subsequent 24 months

		<u>Medicaid</u>	<u>Non-Medicaid</u>	<u>Total</u>
Alliance Behavioral Healthcare	2019-2020	\$ 2,994,453	\$ -	\$ 2,994,453
	2020-2021	\$ 2,994,453	\$ -	\$ 2,994,453
Cardinal Innovations	2019-2020	\$ 4,032,586	\$ -	\$ 4,032,586
	2020-2021	\$ 4,032,586	\$ -	\$ 4,032,586
Eastpointe Human Services	2019-2020	\$ 1,701,156	\$ -	\$ 1,701,156
	2020-2021	\$ 1,701,156	\$ -	\$ 1,701,156
Partners Behavioral Health	2019-2020	\$ 1,914,860	\$ -	\$ 1,914,860
	2020-2021	\$ 1,914,860	\$ -	\$ 1,914,860
Sandhills Center	2019-2020	\$ 1,978,939	\$ -	\$ 1,978,939
	2020-2021	\$ 1,978,939	\$ -	\$ 1,978,939
Trillium Health Resources	2019-2020	\$ 3,119,822	\$ -	\$ 3,119,822
	2020-2021	\$ 3,119,822	\$ -	\$ 3,119,822
Vaya Health	2019-2020	\$ 2,286,401	\$ -	\$ 2,286,401
	2020-2021	\$ 2,286,401	\$ -	\$ 2,286,401

Projected Operating Loss

LME/MCO's net profit/(loss), adjusted to include any known changes including single stream funding allocations and IGT payments for the subsequent 24 month period.

If a net profit is projected for an LME/MCO for either funding stream or in total, then this figure will appear as zero.

		<u>Medicaid</u>	<u>Non-Medicaid</u>	<u>Total</u>
Alliance Behavioral Healthcare	Net Operating Loss over prior 12 months	\$ -	\$ (1,763,784)	\$ (1,763,784)
	Net Operating Loss over subsequent 24 months	\$ -	\$ (3,527,568)	\$ (3,527,568)
Cardinal Innovations	Net Operating Loss over prior 12 months	\$ (12,553,679)	\$ (16,365,350)	\$ (28,919,029)
	Net Operating Loss over subsequent 24 months	\$ (25,107,358)	\$ (32,730,700)	\$ (57,838,058)
Eastpointe Human Services	Net Operating Loss over prior 12 months	\$ (2,145,240)	\$ -	\$ (2,145,240)
	Net Operating Loss over subsequent 24 months	\$ (4,290,481)	\$ -	\$ (4,290,481)
Partners Behavioral Health	Net Operating Loss over prior 12 months	\$ (11,244,722)	\$ -	\$ (11,244,722)
	Net Operating Loss over subsequent 24 months	\$ (22,489,445)	\$ -	\$ (22,489,445)
Sandhills Center	Net Operating Loss over prior 12 months	\$ (13,956,283)	\$ -	\$ (13,956,283)
	Net Operating Loss over subsequent 24 months	\$ (27,912,565)	\$ -	\$ (27,912,565)
Trillium Health Resources	Net Operating Loss over prior 12 months	\$ (6,385,189)	\$ (11,642,481)	\$ (18,027,670)
	Net Operating Loss over subsequent 24 months	\$ (12,770,377)	\$ (23,284,962)	\$ (36,055,339)
Vaya Health	Net Operating Loss over prior 12 months	\$ (6,202,576)	\$ (4,010,172)	\$ (10,212,748)
	Net Operating Loss over subsequent 24 months	\$ (12,405,152)	\$ (8,020,344)	\$ (20,425,496)

Reinvestment Plan

Amount required for all expenditures over the next 3 years related to specific initiatives noted in the LME/MCO's reinvestment plans

		<u>Projected Spend</u>
Alliance Behavioral Healthcare	0-12 months	\$ 6,785,013
	13-24 months	\$ 12,092,481
	25-36 months	\$ 2,500,000
		<u>\$ 21,377,494</u>
Cardinal Innovations	0-12 months	\$ 27,718,190
	13-24 months	\$ 6,831,215
	25-36 months	\$ 5,781,215
		<u>\$ 40,330,620</u>
Eastpointe Human Services	0-12 months	\$ 21,294,398
	13-24 months	\$ 8,530,692
	25-36 months	\$ 10,236,852
		<u>\$ 40,061,942</u>
Partners Behavioral Health	0-12 months	\$ 11,794,326
	13-24 months	\$ 8,875,775
	25-36 months	\$ 6,278,501
		<u>\$ 26,948,602</u>
Sandhills Center	0-12 months	\$ 13,488,029
	13-24 months	\$ 12,639,949
	25-36 months	\$ 12,668,499
		<u>\$ 38,796,477</u>
Trillium Health Resources	0-12 months	\$ 10,505,000
	13-24 months	\$ 16,956,000
	25-36 months	\$ 16,036,000
		<u>\$ 43,498,000</u>
Vaya Health	0-12 months	\$ 11,566,300
	13-24 months	\$ 12,476,300
	25-36 months	\$ 11,976,300
		<u>\$ 36,008,900</u>

Solvency Measures Summary

Comparison of an LME/MCO's cash balance to its solvency range; if cash balance is $\pm 5\%$ of the upper or lower solvency range, a corrective action plan must be developed

		<u>Solvency Range</u>	<u>Cash/Investments/ Risk Reserve</u>	<u>Threshold \$ ($\pm 5\%$)</u>	<u>Threshold % ($\pm 5\%$)</u>	
Alliance	Lower Range	\$109,465,443	\$134,553,337	\$103,992,171	22.9%	OK
	Upper Range	\$129,210,059	\$134,553,337	\$135,670,561	4.1%	OK
Cardinal	Lower Range	\$191,183,142	\$211,090,207	\$181,623,985	10.4%	OK
	Upper Range	\$224,097,786	\$211,090,207	\$235,302,675	-5.8%	OK
Eastpointe	Lower Range	\$75,623,113	\$68,432,893	\$71,841,957	-9.5%	CONCERN
	Upper Range	\$86,767,683	\$68,432,893	\$91,106,067	-21.1%	OK
Partners	Lower Range	\$102,286,730	\$75,641,730	\$97,172,394	-26.0%	CONCERN
	Upper Range	\$115,596,326	\$75,641,730	\$121,376,142	-34.6%	OK
Sandhills	Lower Range	\$105,261,676	\$120,759,273	\$99,998,592	14.7%	OK
	Upper Range	\$117,887,262	\$120,759,273	\$123,781,626	2.4%	OK
Trillium	Lower Range	\$142,018,099	\$105,819,130	\$134,917,194	-25.5%	CONCERN
	Upper Range	\$161,651,626	\$105,819,130	\$169,734,208	-34.5%	OK
Vaya	Lower Range	\$97,797,975	\$94,340,830	\$92,908,077	-3.5%	OK
	Upper Range	\$113,233,975	\$94,340,830	\$118,895,674	-16.7%	OK



LME/MCO Solvency Corrective Action Plan Review

PLAN NAME:	
REVIEW PERFORMED:	

CORRECTIVE ACTION PLANS OVERVIEW:

This Corrective Action Plan template has three sections. The first is where you document what you know about the area in need of improvement. The second section is where you map out, step-by-step, how you are going to accomplish your goal of correcting the problem or making other improvements. The third section is where you can write down the results of the Corrective Action Plan.

This form can be printed and completed manually or downloaded as a Microsoft Word document and completed electronically. This document is not protected. Table cells will automatically expand to accommodate any amount of text. Additional rows will be added if you hit the "TAB" key in the last cell of the last row of tables.

CORRECTIVE ACTION PLAN (CAP) PROCESS:

Step 1: The LME/MCO receives notification from the Department regarding non-compliance.

Step 2: The LME/MCO submits the CAP to the Department.

Step 3: Either the Department accepts the CAP and the LME/MCO is placed on a quarterly routine review cycle or an additional CAP is requested if information is lacking or incorrect.

Step 4: The Department sends a letter closing the review or the LME/MCO is placed on accelerated monitoring.

SECTION I: DEFINING THE ISSUE

Use this section to clearly define the problem or deficiency, how the activity should be done, where to go for information, and a broad overview of how you are going to make an improvement for that issue. Use one CAP for each individual problem or deficiency.

CORRECTIVE ACTION PLAN – DEFINING THE ISSUE	
Provide a clear, descriptive statement of each non-conformance problem / deficiency.	
What is the corrective action(s), including supporting documentation?	
How will ongoing compliance be maintained? Identify preventative measures that will be taken to improve or prevent occurrences of noncompliance.	

SECTION II: DEFINING THE STEPS FOR IMPROVEMENT

List the specific steps you will take to correct the problem and when they should be completed.

- The Milestone should be a specific task to complete. Each Milestone should progress logically toward the completion of the desired goal.
- Although multiple people might work on a single step, there should be one person responsible for ensuring the step is done on time.
- Designate a Due Date for the Milestone that is realistic and attainable.
- Comments can be made at the time the CAP is developed and can be made as the work is done to mark progress.
- If done electronically (i.e. in Word), you can add rows to this table by hitting the “Tab” key while in the lower right-hand cell.

CORRECTIVE ACTION PLAN: DEFINING THE STEPS FOR IMPROVEMENT				
#	Milestone	Responsible [Name(s) & Title(s)]	Date Due	Comments

SECTION III: EVALUATING THE PROCESS

Once all milestones have been met, evaluate the process. Look for proof that the milestones were, in fact, completed, that the cause of the problem has been identified, and that the problem has been addressed.

	CORRECTIVE ACTION PLAN: EVALUATING THE PROCESS	
X	Results	Comments
	Acceptance <div style="border-bottom: 1px solid black; margin-bottom: 10px;"></div> Financial Analyst Date <div style="border-bottom: 1px solid black; margin-bottom: 10px;"></div> Associate Director Date <div style="border-bottom: 1px solid black; margin-bottom: 10px;"></div> Chief Financial Officer Date	
	Provisional Acceptance <div style="border-bottom: 1px solid black; margin-bottom: 10px;"></div> Financial Analyst Date <div style="border-bottom: 1px solid black; margin-bottom: 10px;"></div> Associate Director Date <div style="border-bottom: 1px solid black; margin-bottom: 10px;"></div> Chief Financial Officer Date	

CORRECTIVE ACTION PLAN: EVALUATING THE PROCESS		
X	Results	Comments
	Rejection of the CAP <div> <div>Financial Analyst</div> <div>Date</div> </div> <div> <div>Associate Director</div> <div>Date</div> </div> <div> <div>Chief Financial Officer</div> <div>Date</div> </div>	