



**Northern Lakes  
Community Mental  
Health Authority**

**Board of Directors Packet  
Special Meeting**

**June 9, 2025**



The Northern Lakes Community Mental Health Authority Board will meet on June 9, 2025  
105 Hall St. Traverse City, MI 49684 & Virtually: [+1 810-258-9588](tel:+18102589588), ID: 345 205 419#

## AGENDA

<b>Time</b>	<b>Item #</b>	
1:00 p.m.	1	Opening: <ul style="list-style-type: none"><li>• Confirm Quorum and Pledge of Allegiance</li><li>• Approval of Agenda</li><li>• Conflict of Interest</li><li>• Appointment of Timekeeper</li></ul>
1:10 p.m.	2	Review Proposed Spending Plan, Cost Containment & Budget
2:15 p.m.	3	Vote on Budget*
2:20 p.m.	4	Public Comment (May be limited to three minutes by Board Chair)
2:30 p.m.	5	Adjourn

\* Action Items

NOTICE: If any person with a disability needs accommodations, please call 231-942-7372 three days prior to the posted meeting date.

**Northern Lakes CMH**  
**18-Month Cost Reduction Strategy Planning**  
**(working draft)**

**1. EXECUTIVE SUMMARY**

**Background:** Medicaid capitated funding has lagged actual expenditures for a number of years. Grant awards during the public health emergency provided funding to allow various expenses to be diverted grant fund sources thereby reducing charges to Medicaid and at the same time the overall operations grew.

**Objective:** Develop a balanced budget that includes financial framework for sustainable operations and stability.

**Cost Control:**

- *Identify Cost-Saving Opportunities:* Pinpoint areas where expenses can be reduced without compromising quality or efficiency.
- *Review and Optimize Resource Allocation:* Allocate resources effectively to maximize value and minimize waste.

**Financial Planning:**

- *Set Realistic Financial Goals:* Establish achievable revenue and expenses.
- *Prepare for Contingencies:* Build reserves to address unexpected expenses or changes in revenue.

**Performance Monitoring**

- *Track Financial Results:* Regularly monitor income and expenses to ensure they align with the budget.
- *Adjust as Needed:* Make necessary adjustments to the budget based on performance data and changing circumstances.

**Key Targets:** Identify areas where cost reductions will be focused while at the same time maintaining all required consumer services.

**Expected Outcomes:** A balance budget will be submitted to NMRE for FY 26.

**2. CURRENT FINANCIAL OVERVIEW**

**Cost Analysis:** The independent rate model is published by Milliman each year as capitated rates are developed and funding is established. A comparison of FY 24 actual costs as compared to the independent rate model has been performed and estimates of cutting the differences by 50% could result in reductions close to \$9 million.

<b>Category</b>	<b>Variance from Independent Rate Model (millions)</b>	<b>Reduce by 50%</b>
<b>Internal Services</b>		
Residential	\$ 1.200	\$ 0.600
Case Management	\$ 3.000	\$ 1.500
Clubhouse / Day Programs	\$ 1.200	\$ 0.600
Outpatient	\$ 1.200	\$ 0.600
Psych Services	\$ 0.900	\$ 0.450
Crisis	\$ 4.000	\$ 2.000
Behavioral Health Home	TBD - est	\$ 0.150
PT/OT/ST	TBD - est	\$ 0.075
Child/Fam - Wrap	TBD - est	\$ 0.075
		\$ 6.050
Contract PR/Marketing	TBD - est	\$ 0.090
Administrative support	TBD - est	\$ 0.500
Transportation	TBD - est	\$ 0.200
Staff Development	TBD - est	\$ 0.090
<b>External Services</b>		
Residential		\$ 1.000
Day Programs/ Supported Employ		\$ 0.250
Other Contracts		\$ 1.000
		\$ <b>8.730</b>

It is anticipated that the above would include a reduction of 30 FTE's.

### 3. COST REDUCTION GOALS

**Short-Term Goals (0-6 months): Specific targets and milestones for the first six months.**

**April – September 30, 2025**

- Conduct a comprehensive financial analysis to identify high-cost areas.
- Develop detailed cost reduction strategies for each identified area.
- Set specific targets and milestones.
- Communicate the plan to all relevant parties.

**Medium-Term Goals (6-12 months): Targets and milestones for the next six months.**

**October 2025 – March 31, 2026**

- Begin implementing cost reduction initiatives in high-impact areas.
- Monitor progress and address any initial challenges.

- Continue implementation and track early results.
- Adjust strategies as needed based on feedback and performance data.

**Long-Term Goals (12-18 months): Final targets and milestones for the last six months.**

**April 2026 – September 30, 2026**

- Conduct a review of the first phase of implementation.
- Report progress to stakeholders and make necessary adjustments.
- Focus on sustaining improvements and preventing cost creep.

#### **4. STRATEGIES AND INITIATIVES**

##### ***Implement Zero Based Budgeting:***

- *Enhanced Cost Control:* Every expense will need to be justified to identify and eliminate unnecessary costs and ensures efficient use of resources.
- *Strategic Alignment:* Ensure that spending is closely aligned with organizational mission, goals and priorities.
  - Consider consumer authorizations to determine the number of staff needed to cover the consumer load.
  - Evaluate activities for requirements within the mental health code and funding within the CMH/PIHP contract.
- *Increased Accountability:* Promotes accountability among managers and decision-makers by requiring detailed justifications for all expenditures.

##### ***Assess Operational Efficiency:***

- *Cost Reduction:* Identify and eliminate inefficiencies for cost savings.
- *Improved Productivity:* Streamline processes enhance productivity and reduce time wastage.
- *Enhanced Quality:* Efficient operations to provide better quality products or services.

- *Conduct Process Mapping & Workforce Optimization:*

- Document Current Processes: Create detailed maps of existing workflows and processes.
  - Identify Key Activities: Highlight critical activities and their associated costs.
- *Analyze Data:*
    - Gather quantitative and qualitative data on operational performance, costs, and resource utilization.
      - Cycle time
      - Transaction volume
      - Error Rates
      - Cost Per Transaction
      - Payroll accuracy
      - Reconciliation time
      - Financial Close time
      - Encounter Data accuracy
      - Staff to consumer ratio (case load)
      - Cost of Service
    - Benchmark Performance: Compare current performance against industry standards or best practices.
  - *Identify Inefficiencies*
    - Spot Bottlenecks: Look for areas where processes slow down or resources are underutilized.
    - Detect Redundancies: Identify duplicate activities or unnecessary steps that can be eliminated.
  - *Evaluate Technology and Tools*
    - Assess Current Tools: Review the effectiveness of existing technology and tools.
    - Explore Automation: Identify opportunities to automate repetitive tasks to save time and reduce errors.
  - *Interview Employees*
    - Gather Feedback: Solicit input from employees who are directly involved in the processes.
  - *Develop Improvement Plans*
    - Prioritize Initiatives: Rank potential improvements based on their impact and feasibility.
    - Create Action Plans: Develop detailed plans for implementing the most promising initiatives.

**Provider Negotiations:** Perform an assessment of contracts and terms with suppliers and review for potential renegotiation.

- *Network Providers:*

- Comparison of the current provider rate to the independent rate model will identify contracts that are outliers from the assumptions used in the capitation payments. Adjustments to outlier rates will need to be considered.

**Technology Investments:** Investments in technology to automate and streamline operations.

- AP Automation
- EFT receipt & disbursement processing automation
- Third Party billing

## 5. IMPLEMENTATION PLAN

**TIMELINE: DETAILED TIMELINE WITH KEY MILESTONES AND DEADLINES.**

### **MARCH 2025**

- Conduct a financial analysis to identify high-cost areas.
- Define cost reduction objectives.
- Engage stakeholders and form a cost reduction team.

### **APRIL 2025**

- Perform a review of each service/functional area and identify activities that may not be required under the Mental Health Code nor funded within the PIHP/CMHSP contract.
  - Establish a listing of employee positions
    - Identify billable versus non-billable or admin support positions
    - Rank the priority of the mission for each position
  - Prepare a productivity assessment of each service department
    - Consider face-to-face minutes as the primary productivity indicators
      - Establish an assumption for admin time for each code as applicable
    - Perform benchmarking of productivity achieved by each service unit
    - Based upon consumer authorizations, estimate the minimum number of staff required to serve consumers
  - Utilization Management
    - Perform a review of all high-cost consumers and verify all aspects of service plan are required and being delivered as cost effectively as possible
    - Perform a review of consumers who may not be fully participating in services; assess whether the consumer should be closed out until they are willing to fully participate
  - Establish a listing of all network provider contracts
    - Perform a comparison of the provider rates to the independent rate model and identify significant outliers

- Compile all existing technology contracts, including software licenses, hardware leases, service agreements, and maintenance contracts.
  - Establish a priority for each contract/payment
  - Look for opportunities to consolidate services or products to achieve better pricing and terms.
- Establish a listing of all non-provider contracts and recurring payments
  - Establish a priority for each contract/payment
  - Look for opportunities to consolidate services or products to achieve better pricing and terms.
- Develop detailed cost reduction strategies, targets, and milestones for each identified area.
  - Discuss preliminary ideas with Board during April meetings
- Create FY 25 Year End Projection to confirm spending pattern variances from adopted budget
- Identify areas to process map

#### **MAY 2025:**

- Communicate the Cost Reduction Plan to all relevant parties
  - Provide Preliminary Cost Reduction Plan to NMRE – May 1
  - Update Board on the final submission
- Begin implementation of Cost Reduction Plan elements
- Allocate resources and assign responsibility for plan
- Begin process mapping activities

#### **JUNE 2025:**

- Cost reduction team to meet and review status of targets and milestones for the month
  - Update the plan as needed
    - Expand cost reduction initiatives to additional areas.
    - Optimize processes and workflows for greater efficiency.
- Process mapping to continue
- Begin FY 26 Budget Development using Zero Based Approach
  - Incorporate and project Cost Reduction Strategies

#### **JULY 2025**

- Cost reduction team to meet and review status of targets and milestones for the month
  - Assess status of process mapping activities
  - Update the plan as needed
    - Expand cost reduction initiatives to additional areas.
    - Optimize processes and workflows for greater efficiency.
- Continue FY 26 Budget Development using Zero Based Approach
  - Incorporate and project Cost Reduction Strategies

#### **AUGUST 2025**

- Cost reduction team to meet and review status of targets and milestones for the month
  - Assess status of process mapping activities
  - Update the plan as needed
    - Expand cost reduction initiatives to additional areas.
    - Optimize processes and workflows for greater efficiency.
- Finalize FY 26 Budget Development using Zero Based Approach
  - Seek Board approval

### **SEPTEMBER 2025**

- Cost reduction team to meet and review status of targets and milestones for the month
  - Assess status of process mapping activities
  - Update the plan as needed
    - Expand cost reduction initiatives to additional areas.
    - Optimize processes and workflows for greater efficiency.

### **MONTHLY FY 26**

- Cost reduction team to meet and review status of targets and milestones for the month
  - Assess status of process mapping activities
  - Update the plan as needed
    - Expand cost reduction initiatives to additional areas.
    - Optimize processes and workflows for greater efficiency.

## **6. CONCLUSION**

TBD



# Balanced Budget Initiative

May 1, 2025

# Balanced Budget Initiative

**Objective:** Develop a balanced budget that includes financial framework for sustainable operations and stability.

## **Cost Control:**

- *Identify Cost-Saving Opportunities:* Pinpoint areas where expenses can be reduced without compromising quality or efficiency.
- *Review and Optimize Resource Allocation:* Allocate resources effectively to maximize value and minimize waste.

## **Financial Planning:**

- *Set Realistic Financial Goals:* Establish achievable revenue and expenses.
- *Prepare for Contingencies:* Build reserves to address unexpected expenses or changes in revenue.

## **Performance Monitoring:**

- *Track Financial Results:* Regularly monitor income and expenses to ensure they align with the budget.
- *Adjust as Needed:* Make necessary adjustments to the budget based on performance data and changing circumstances.

**Key Targets:** Identify areas where cost reductions will be focused while at the same time maintaining all required consumer services.

**Expected Outcomes:** A balanced budget will be submitted to NMRE for FY 26.

# Assessment of Reductions Needed

- The FY 24 independent rate model published by Milliman was utilized to benchmark our service costs for FY 24. Initial savings estimates are based on closing the gap between actual costs and the benchmark by 50%, potentially resulting in expense reductions of approximately \$9 million.
- Throughout this process, it is anticipated that 30 full-time equivalents (FTEs) will be impacted.
- The value of Internal Services listed include the direct service component and the administrative overhead. It is expected that one-third of the savings will need to come from direct expenses, while the remaining two-thirds will be derived from administrative expenses to meet the goals.

Category	Variance from Independent Rate Model	Reduce by 50%
<b>Internal Services</b>		
Residential	\$ 1.2M	\$ 600K
Case Management	\$ 3M	\$ 1.5M
Clubhouse / Day Programs	\$ 1.1M	\$ 600K
Outpatient	\$ 1.2M	\$ 600K
Psych Services	\$ 0.900K	\$ 450K
Crisis	\$ 4M	\$ 2M
Behavioral Health Home	TBD - est	\$ 150K
PT/OT/ST	TBD - est	\$ 75K
Child/Fam - Wrap	TBD - est	\$ 75K
		\$ 6.05M
Contract PR/Marketing	TBD - est	\$ 90K
Administrative support	TBD - est	\$ 50K
Transportation	TBD - est	\$ 20K
Staff Development	TBD - est	\$ 90K
<b>External Services</b>		
Residential		\$ 1M
Day Programs/ Supported Employ		\$ 25K
Other Contracts		\$ 1M
		\$ 8.73M

# Projected Timeline & Detailed Tasks

Northern Lakes CMH 18-Month Cost Reduction Implementation Plan							
Actions and Deliverables	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Monthly FY 26
Perform a review of each service/functional area and identify activities that may not be required under the Mental Health Code nor funded within the PIHP/CMHSP contract:	X						
Establish a listing of employee positions	X						
Identify billable versus non-billable or admin support positions	X						
Rank the priority of the mission for each position	X						
Prepare a productivity assessment of each service department	X						
Consider face-to-face minutes as the primary productivity indicators	X						
Establish an assumption for admin time for each code as applicable	X						
Perform benchmarking of productivity achieved by each service unit	X						
Based upon consumer authorizations, estimate the minimum number of staff required to serve consumers	X						
Utilization Management: Perform a review of all high-cost consumers and verify all aspects of service plan are required and being delivered as cost effectively as possible	X						
Utilization Management: Perform a review of consumers who may not be fully participating in services; assess whether the consumer should be closed out until they are willing to fully participate	X						
Establish a listing of all network provider contracts	X						
Perform a comparison of the provider rates to the independent rate model and identify significant outliers	X						
Compile all existing technology contracts, including software licenses, hardware leases, service agreements, and maintenance contracts	X						
Establish a priority for each contract/payment	X						
Look for opportunities to consolidate services or products to achieve better pricing and terms	X						
Establish a listing of all non-provider contracts and recurring payments	X						
Establish a priority for each contract/payment	X						
Look for opportunities to consolidate services or products to achieve better pricing and terms	X						
Develop detailed cost reduction strategies, targets, and milestones for each identified area	X						
Discuss preliminary ideas with Board during April meetings	X						
Create FY 25 Year End Projection to confirm spending pattern variances from adopted budget	X						
Identify areas to process map	X						

# Projected Timeline & Detailed Tasks (cont.)

Northern Lakes CMH 18-Month Cost Reduction Implementation Plan							
Actions and Deliverables	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Monthly FY 26
Communicate the Cost Reduction Plan to all relevant parties Provide Preliminary Cost Reduction Plan to NMRE – May 1 Update Board on the final submission		X					
Begin implementation of Cost Reduction Plan elements		X					
Allocate resources and assign responsibility for plan		X					
Begin process mapping activities		X					
Process mapping to continue			X				
Begin FY 26 Budget Development using Zero Based Approach Incorporate and project Cost Reduction Strategies			X				
Continue FY 26 Budget Development using Zero Based Approach				X			
Finalize FY 26 Budget Development using Zero Based Approach					X		
Seek Board approval					X		
Cost reduction team to meet and review status of targets and milestones for the month Update the plan as needed Expand cost reduction initiatives to additional areas Optimize processes and workflows for greater efficiency			X	X	X	X	X



- Thank you