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Document Scope: (applies to Policy & Procedure only)

- X – The requirements herein apply only to the GCBH Central Office and its functions.
 - The requirements herein apply, verbatim, to GCBH and its network providers².
 - The requirements herein apply both to GCBH and its network providers². Additionally, network providers must have internal documents outlining their processes for implementing the requirements, insofar as they relate to actions for which network providers are responsible.
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PURPOSE: To clarify the reserve funds held by Greater Columbia Behavioral Health (GCBH) and establish how they are maintained.

DEFINITIONS

- I. **Capital Reserve Account:** An account within a fund reserved for the replacement of Capital Assets.
- II. **Capital Reserve Account (Regional Office Vehicle Replacement):** An account established by the GCBH Board of Directors for the replacement of GCBH business office vehicles.
- III. **Fiscal Year:** Any 12 month cycle of time used to account for and report financially the activity of an entity.
- IV. **Fund:** A grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. GCBH reports as one fund.
- V. **PIHP Risk/Inpatient Hospital Reserve:** An account within the GCBH Fund, restricted by contract, that must be maintained at a contract specific percentage of the current fiscal year Medicaid revenues.
- VI. **State-Only Inpatient Hospital Reserve:** An account within the GCBH Fund, restricted by contract that must be maintained at a contract specific percentage of current Fiscal year State-Only revenues. Board approved, November 2006.
- VII. **State-Only Operating Reserve:** An account within the GCBH Fund, allowed by contract that cannot exceed 5% of the current fiscal year State-Only revenues. Though not restricted by contract, usage of these resources requires board approval. Board approved, November 2006.

POLICY

- A. The reserve funds held by GCBH include:
 - a. PIHP Risk/Inpatient Hospital Reserve
 - b. State-Only Inpatient Hospital Reserve
 - c. State-Only Operating Reserve
 - d. Capital Reserve: Regional Office Vehicle Replacement

- B. Resources committed by action of the GCBH Board of Directors for specific programs or purposes are separately identified as reserved within the fund balance unless those commitments are considered a liability, in which case, the amount is classified as such in GCBH financial records.
- C. Investment of GCBH reserve accounts and cash balances are limited to financial instruments with maturities of 120 days or less. Such investments comply with RCW 39.59 and RCW 43.84. Interest earned on the investment of GCBH funds is allocated and used for the purpose of supporting mental health services within the GCBH region in accordance with WAC 388-865-0270.

PROCEDURE

1. Operating Reserves:

- 1.1. GCBH State-Only Operating Reserve: GCBH maintains a State-Only funded operating reserve which, by contract, cannot exceed 5% of total current fiscal year revenues. The GCBH Operating Reserve is intended to meet the unanticipated costs of operations which, by law, cannot be funded with Medicaid resources.
 - 1.1.1. Operating reserve funds are available for allocation upon the GCBH Board of Directors approval for the following uses:
 - 1.1.1.1. Funding services in accordance with WAC 388-865.
 - 1.1.1.2. Funding operating expenditures when cash flow is not sufficient.
 - 1.1.1.3. Funding GCBH budget revisions.
 - 1.1.1.4. Funding Department of Social and Health Services contract requirements.
 - 1.1.1.5. Funding extraordinary costs incurred by the GCBH Provider Network associated with providing outpatient and inpatient services under the GCBH contract terms, including liquidated damages assessed against GCBH under terms of the GCBH/MHD contract.
 - 1.1.1.6. Allocation for special projects or programs.
 - 1.1.1.7. Allocation to Capital Reserves.
 - 1.1.2. The GCBH Board of Directors determines how or if the operating reserve will be replenished.
 - 1.1.3. Access To Operating funds For Extraordinary Direct Service Costs:
 - 1.1.3.1. The GCBH Board of Directors approval is required for the disbursement of operating reserve funds. Member governments/and or contracted service provider requests for operating reserve funds shall be approved or denied in a timely manner upon submittal of a formal written request to the GCBH Board of Directors. The GCBH Funding and Fiscal Operations Committee and/or the Quality Management Oversight Committee may be consulted to review the appropriateness of such funding requests.
 - 1.1.4. Operating reserve funds shall be available for use to fund the following:
 - 1.1.4.1. Outliers or excessive medical costs.
 - 1.1.4.2. Hospitalizations that GCBH has no authority to control.

- 1.1.4.3. Additional exceptional care for consumers in need of long-term rehabilitative services.
- 1.1.4.4. Additional or exceptional service capacity not available within GCBH.
- 1.1.4.5. Community crisis that results in a significant increase in the utilization of community mental health services.
- 1.1.4.6. The unexpected and abnormal influx of high utilizers within GCBH.
- 1.1.4.7. GCBH inpatient claims in excess of inpatient premium payments made to GCBH by the MHD.
- 1.1.5. The GCBH Board of Directors will determine how or if the operating reserve will be replenished.

2. **Capital Reserve:**

2.1. **Regional Office Vehicle Replacement:**

- 2.1.1. GCBH maintains a capital reserve account for the purpose of funding the replacement of GCBH vehicles. Usage of this reserve account requires approval from the GCBH board of directors. Replenishment of or increases to current funding levels must be approved by the board.

3. **PIHP Risk/Inpatient Hospital Reserve:**

- 3.1. GCBH maintains a risk/inpatient hospital reserve account funded solely by Medicaid resources. Account balances, usage of, and timelines for replacement of such reserves are mandated by current GCBH/DSHS contract. Terms of this contract require that a specific amount of resources must be maintained in this account at the close of each fiscal year.
- 3.2. The GCBH Chief Financial Officer is responsible for assuring these funding levels are met at the close of each fiscal year. Adjustments to these reserve accounts must be reported to the Funding and Fiscal Operations Committee during the first regularly scheduled meeting which occurs after the close of each fiscal year.
- 3.3. The expenditure of these resources is restricted by contract and must be approved in advance by the GCBH Board of Directors.

4. **State-Only Inpatient Hospitalization Reserve:**

- 4.1. GCBH maintains an Inpatient Hospitalization reserve account funded solely by State-Only revenues. Account balances, usage of, and timelines for replacement of such reserves are mandated by current GCBH/DSHS contract. Terms of this contract require that a specific amount of resources must be maintained in this account at the close of each fiscal year.

APPROVAL

/S/ Julie LaPierre
Julie LaPierre, Interim Director

11/05/09