

# **SANILAC COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

## ADMINISTRATIVE POLICY

**NUMBER: BA148**

**NAME: NETWORK PROVIDER CASH ADVANCE POLICY**

INITIAL APPROVAL DATE: 06/03/2020 BY: Administrative Committee

(LAST) REVISION DATE: BY:

(LAST) REVIEW DATE: 04/20/2023 BY: Policy Committee

DISCONTINUED DATE: N/A REPLACED BY: N/A

### **I. PURPOSE**

### **II. APPLICATION**

Populations: ALL

Programs: Direct – NA  
Contract – ALL

### **III. POLICY**

It is the policy of Sanilac County Community Mental Health Authority (Sanilac CMH) to ensure its network providers have the working capital necessary to cover operating expenditures, such as payroll and payments to vendors, in a timely manner.

### **IV. DEFINITIONS**

None

### **V. STANDARDS**

- a. Sanilac CMH may accept requests for advances from its network providers for reasons outside of the control of the network provider, which may include but are not limited to sudden and severe reduction in service utilization.
- b. Advances from Sanilac CMH must be a last resort and providers must demonstrate that they have made reasonable effort under the circumstances to obtain working capital from alternative sources.
- c. Sanilac CMH Administration must limit advances to any one provider to an amount representing 1 month of historical payments calculated as, the sum of all payments made to the provider by Sanilac CMH over a consecutive 3-month period divided by 3. The consecutive 3-month period should be selected to exclude any unusually high or low payment months, but the selected period must not extend more than 12 months prior to the date of the advance request.
- d. Sanilac CMH Administration must review advances monthly to assess the continued need for the advance.
- e. Sanilac CMH Administration may not make advances to a provider for any amount that is known to be in default to another creditor, for security deposits, or for advance payments to the provider's subnetwork.
- f. Advances made by Sanilac CMH must be paid back prior to the end of the Agency's fiscal year in which the advance is made.

**VI. PROCEDURES**

- a. The network provider must provide a written request to Sanilac CMH Contract Management including all of the following documentation:
  - i. Narrative signed by the provider CEO or CFO identifying the amount of the advance request, the circumstance necessitating the advance, and describing alternative actions taken to address the cash flow need.
  - ii. The most recently prepared financial statements reviewed by the providers board of directors or owners and signed by the board secretary or owner attesting to the accuracy of the cash position reflected in the statements.
  - iii. A weekly cash flow projection for the next 13 weeks with anticipated receipts from Sanilac CMH separately identified from other revenue sources and payroll identified separately from other expenses.
- b. Sanilac CMH Contract Management will review the request with the CFO for completeness and forward the request to the CEO with a recommendation to approve or deny.
- c. Sanilac CMH CEO will make the final determination to approve or deny the request.
- d. Once approved, Sanilac CMH CFO will initiate the advance payment on the following regularly scheduled AP run.
- e. Monthly, Sanilac CMH Contract Management and CFO will review the outstanding advance amounts for appropriateness. Additional reporting may be required from the provider to assess the appropriateness of the advance. Additional information may include, but is not limited to updated financial reports, updated cash flow projections, accounts payable aging lists, accounts receivable aging lists, and check registers.
- f. Sanilac CMH Contract Management and CFO will recommend to the CEO to terminate an advance if the continued advancing of funds is not in the best interest of the Agency.
- g. Sanilac CMH CEO will review and approve or deny the recommendation to terminate the advance.
- h. If terminated, Sanilac CMH will notify the network provider of the decision to terminate the advance, the rationale behind the decision, and the timeline over which the advance will be withheld from regular payments. The decision to terminate and the timeline over which the advance will be withheld is at the sole discretion of Sanilac CMH CEO.

**VII. ATTACHMENTS**

None

**VIII. REFERENCES**

None