October 6, 2005

TO: Local Governmental Agency Coordinators for the Targeted Case Management Program

SUBJECT: Targeted Case Management Cost Report Changes

The California Department of Health Services (DHS) has revised the Local Governmental Agency (LGA) Targeted Case Management (TCM) Cost Report Instructions. These changes are effective for cost reports due November 1, 2005, which will establish encounter rates for fiscal year 2005-06. This year’s cost report instructions differ from last year’s in the following ways:

DHS Audits & Investigations (A&I)

Auditors from A&I will process cost reports. This change enhances the ability of DHS to evaluate the fiscal and accounting aspects of TCM cost reports. A&I may conduct reconciliation reviews and fiscal audits when they determine such reviews and audits are needed. During the first year of this change, staff in the DHS Local & Schools Services Unit (LSSU) will work together with A&I staff to refine the procedures and standards for cost reports reviews.

Mail the hard copy of the cost report with supporting documentation to A&I, and email the soft copy of the cost report and time survey templates to LSSU. Specific delivery addresses are in the enclosed cost report instructions and at the end of this letter.

Refined Cost Report Staff Classifications

Only staff in the budget unit may be reported on the Salary & Benefits Schedule (S&B Sch) 1A. Staff costs outside the budget unit that support the provision of TCM must be reported as direct or indirect operating expenses on S&B Sch 1B or on Worksheet D, Column 1. Refer to the Cost Report Instructions for detailed explanation of this requirement. Also, refer to the enclosed decision tree on how to classify staff.
Direct Support to Case Manager staff must be in the same budget unit as the TCM Case Managers and provide support to the TCM program. Costs of staff who support TCM and work outside the budget unit must be reported as operating expenses on the cost report (Salary & Benefits Schedule 1B or on Worksheet D, Column 1).

Direct Supervisor of Case Manager staff must be no more than two organizational levels above the case manager level (for example, no CFOs or department managers). If a Direct Supervisor of Case Managers also routinely provides TCM services, that person’s supervisor may also be identified as a Direct Supervisor of Case Managers. However, the supervisor of the second-level supervisor may not be classified as a Direct Supervisor of Case Managers.

Staff classified as ADMIN must be identified on S&B 1A by job title in the “Role” column. If ADMIN costs are entered on the cost report as an aggregated amount, each staff’s name, job title with salary and benefits amounts must be listed on a separate page.

Other New Requirements

The organizational chart should be as complete as possible, including staff names, job titles, and to whom they report. Alternatively, provide a complete roster of staff names, job titles, and to whom they report. Including budget unit organization or account numbers from the general ledger is recommended, to help DHS compare the organizational chart to the general ledger.

The Encounter Methodology worksheet must include all valid Medi-Cal encounters (not just claimable Medi-Cal encounters). Encounters that are not claimable must be counted (and entered in the Encounter Log) and included on this worksheet. The worksheet now includes a separate line for these encounters.

DHS seeks to ensure that all valid TCM encounters are identified and included in the cost report. A separate Policy & Procedure Letter will be issued to further define this issue and to require compliance in FY 2006-07.

DHS added calculations to this worksheet, to the right of the blue cells that indicate the percentage of the total encounters for each of the three types of encounters. These percentages are used in Worksheet B, Column 2, and on the LGA Coordinator Review Tool.
On Worksheet B, only private, non-profit Community Based Organizations (CBO)s must offset private funding (e.g., client fees, private foundation grants) that pays for TCM services to Medi-Cal beneficiaries. The headings in Columns 1 and 2 have been revised to make them easier to read.

The Funding Schedule, which supports Worksheet B, has been modified for easier use. Only the amounts entered under Step 4 and Step 5 are entered on Worksheet B. Steps 4 and 5 correspond to Columns 1 and 2 (respectively) on Worksheet B.

The Performance Monitoring Plan (PMP) is no longer required with the cost report. The PMP was already included with the FY 2005-06 Participation Survey.

The LGA Coordinator Review Tool has been enhanced to include the following calculations to alert you to possible unreasonable costs:

- The number of staff hours per encounter in this cost report and the standard deviation of this number relative to all TCM cost reports from the previous year;
- The cost per hour of staff time to provide TCM services;
- The ratio of TCM Salaries & Benefits to Administrative Salaries & Benefits;
- The ratio of total Salaries & Benefits to Operating Expenses (not including Contractors);
- Include a list of TCM Case Managers that identifies the number of TCM encounters claimed by each in the prior fiscal year. Provide an explanation for TCM Case Managers who claimed no TCM encounters and identify what TCM services they provided.

The schedule contains formulas that will calculate the ratios. DHS recommends that LGAs analyze this information to determine if these costs can be supported in the event of a State or federal audit.

For additional information on how to construct your TCM cost report and on the TCM program, please consult the program documents on the DHS website: www.dhs.ca.gov/tcm.

Email a soft copy of the cost report and time survey templates to DHS by November 1, 2005, to the following address: dmerritt@dhs.ca.gov.
Postmark a hard copy of each cost report to DHS by November 1, 2005, and use the following addresses:

**By U.S. Mail:**
Department of Health Services  
Audits and Investigations  
Audit Review and Analysis Section  
1500 Capitol Avenue, MS 2109  
P.O. Box 997413  
Sacramento, CA  95899-7413

**By Fed Ex, UPS:**
Department of Health Services  
Audits and Investigations  
Audit Review and Analysis Section  
1500 Capitol Avenue, MS 2109  
Sacramento, CA  95814

If you have questions about this letter, please contact Mr. David Bass, Chief, Local & Schools Services Unit, at (916) 552-9616 or at dbass@dhs.ca.gov.

Sincerely,

Original Signed by Elizabeth Touhey

Elizabeth Touhey, Chief  
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