



State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

July 22, 2008

PPL 08-014

TO: All Local Governmental Agency (LGA) and Local Educational Consortia (LEC) Coordinators for the Medi-Cal Administrative Activities (MAA) and Targeted Case Management (TCM) programs.

SUBJECT: Unallowable Costs of Incentives

This Policy and Procedure Letter (PPL) notifies LGAs and LECs that the cost of gifts provided as an incentive to enroll in Medi-Cal are not allowable for federal financial participation.

Office of Management and Budgets, Circular A-87 (OMB A-87), Item 1(f)(3), states that “the costs of promotional items and memorabilia, including models, gifts, and souvenirs,” are unallowable public relations costs. This same principle applies to all incentives.

MAA Invoices that contain unallowable costs will be returned unpaid to the LEC/LGA. They can be resubmitted as corrected with the unallowable costs removed. For CMAA, unallowable costs would be reported on Cost Pool 3; in SMAA, they would be reported as Non-Claimable; and in the TCM program, these costs must be excluded from the allowable costs reported in the TCM Cost Report. Any such costs included in the TCM Cost Report must be identified as unallowable and reported as an adjustment to costs on Worksheet D.

If you have any questions concerning this PPL, please contact the appropriate Unit Chief in the following programs:

- For County-Based Medi-Cal Administrative Activities (CMAA), please contact Linda Hayes at (916) 341-3969 or Linda.Hayes@dhcs.ca.gov.
- For School-Based Medi-Cal Administrative Activities (SMAA), please contact Barbara Schultz at (916) 552-9616 or Barbara.Schultz@dhcs.ca.gov.
- For Targeted Case Management (TCM), please contact Tracy Albano at (916) 552-9538 or Tracy.Albano@dhcs.ca.gov.

Sincerely,

ORIGINAL SIGNED BY ELIZABETH TOUHEY

Elizabeth Touhey, Chief
Administrative Claiming, Local and
Schools Services Branch

cc: See Next Page
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MAA and TCM Programs
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cc: Ms. Cathleen Gentry
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