



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



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GOVERNOR

DATE: October 28, 2013

PPL No. 13-012
Updated: 12/13/13

TO: Local Educational Consortia (LEC) and
Local Governmental Agencies (LGA) for Local Education Agency (LEA)
School-Based Medi-Cal Administrative Activities (SMAA)

SUBJECT: **Reasonableness Test Criteria (RTC)**

This Policy and Procedure Letter (PPL) was updated December 13, 2013, to provide non-substantive, clarifying changes. The purpose of this PPL is to establish the procedure for LEAs, LECs and LGAs to apply the Reasonableness Test Criteria (RTC) developed by the Department of Health Care Services (DHCS) in accordance with the Office of Management and Budget (OMB) circular A-87. OMB A-87 requires DHCS to ensure that all costs submitted for reimbursement are “necessary and reasonable for proper and efficient performance and administration of Federal awards” (OMB A-87(C)(1)(a)).

All invoices submitted to DHCS during the current deferral period (covering State Fiscal Year (SFY) 2010-2011, SFY 2011-2012, and SFY 2012-2013) are subject to the RTC. The RTC must be applied to each individual invoice submitted to DHCS for dates of service through June 30, 2013. Once the RTC has been applied to these invoices and the results are approved, the invoices will be processed for payment.

The RTC is comprised of a set of objective criteria by which to measure compliance with OMB A-87 and 42 Code of Federal Regulation (CFR) 433.15(B)(7) which allows the state to claim 50% reimbursement for activities deemed necessary for the proper and efficient administration of federal awards. The RTC applies to each LEA’s Participant Universe and has three components that requires a claiming unit to: 1) eliminate specified job classifications from the Participant Universe; 2) limit the total number of clerical and administrative positions included in the Participant Universe; and 3) apply percentage limits to the overall Time Survey results for each billable code claimed during the Time Survey period. The procedure for applying the RTC is described below. All necessary forms and attachments mentioned in the following RTC steps are available at <http://www.dhcs.ca.gov/provgovpart/Pages/SMAA.aspx>

Step 1: Review all job classifications in the Participant Universe for a given invoice and remove all classifications not listed in *Attachment A: Time Survey Participant Universe Authorized Positions* from the Claiming Unit Functions Grid submitted for that invoice. Note: Should there be a need for specific job classifications not listed on the *Time Survey Participant Universe Authorized Positions* list, the LEA must complete the *SMAA RTC Certification* form to justify the additional positions and attach a job description/duty statement.

Step 2: Under the RTC process, a 20% ratio limit for clerical/administrative positions is imposed. In order to determine compliance with the 20% ratio limit, each LEA must refer to the *Time Survey Participant Universe Authorized Positions* list and identify the total number of positions in each category of job classification. Then, based on the number of positions in each category, identify the total number of positions that can be categorized under Groups 1, 2, & 5. Next, identify the total number of positions that can be categorized under Groups 3 & 4. Finally, divide the total number of positions in Groups 3 & 4 by the total number of Groups 1, 2, & 5.

$$\text{Percentage (\%)} \text{ of Clerical/Administrative Percentage} = \frac{\text{Total Number of Positions in Groups 3 \& 4}}{\text{Total Number of Positions in Groups 1, 2, \& 5}}$$

The result will be the percentage of clerical/administrative positions in the Participant Universe. If the resulting figure is less than or equal to 20% or 0.2, the Participant Universe complies with the RTC. If the resulting figure is greater than 20% or 0.2, the LEA must work to eliminate a number of positions in Groups 3 & 4 in order to comply with the 20% limit. Note: Should there be a need for more clerical positions than the twenty percent ratio limit, the LEA must complete the *SMAA RTC Certification* form to justify the additional positions and attach a job description/duty statement.

Step 3: Once you have completed Steps 1 and 2, recalculate the summary Time Survey percentages associated with the remaining positions. Once the position eliminations or reductions under Steps 1 and 2 above have been made, compare the modified Time Survey summary percentages to the established benchmark percentages below.

Benchmark Time Survey Percentages:

Code 4	4%
Code 6	2%
Code 8	8%
Code 10	3%
Code 12	3%
Code 14	3%
Code 15	4%
Code 16	10%

If, after removing all unauthorized positions, the modified percentages for each code are at or below the benchmark criteria, complete the RTC Certification form and submit a copy of the form along with the Time Survey results for the invoice to DHCS for final review and approval.

If, after removing all unauthorized positions, some or all of the percentages for the codes are above the benchmark percentage(s), justify the overage by providing the following information using the *SMAA RTC Certification* form:

- Are a majority of the Medi-Cal providers in Group 1 or Group 2 (special ed.)? Describe the activities performed.
- Are the participants in a health support position such as in Group 5? Describe the activities performed.
- Are the participants housed in a family resource center (FRC)? A family resource center is a hub for linking families to Medi-Cal covered services and social services. Many FRCs have certified application assistors specifically for the Medi-Cal application. Describe the activities performed.

Vendor Fee Limits

The RTC extends to the vendor fees that are charged to the LEA. If the vendor fees are being claimed for reimbursement on any of the quarterly invoice(s), the RTC establishes limits on those fees depending on the details of the sub-recipient contract.

Per-person fee reimbursement will be limited to only the job classifications that participate in the quarterly Time Study regardless of the number of participants trained. If the application of the RTC resulted in the disallowance of specific job classifications from the Time Study, then the vendor fees being claimed for reimbursement must be reduced by a corresponding amount.

Flat fee reimbursement will be limited to no more than fifteen percent of the total modified claim amount after application of the RTC during a given fiscal year. If any vendor fees being claimed relative to any quarterly invoice(s) are greater than the fifteen

percent limit, then the overage must be reimbursed to DHCS. Note: Contingency fee contracts are strictly prohibited by OMB A-87.

Note: If the original invoice does not contain unauthorized job classifications AND the overall Time Survey percentages are at or below the benchmark percentages, AND the vendor fees (if claimed) are below the 15% limit, then the invoice complies with the RTC and may be submitted (along with the Time Survey results) with no further changes.

Once the LEA has applied the RTC to each individual invoice identified for the deferral period, the LEA will complete and sign the *SMAA RTC Certification* form and submit the form along with a copy of the overall Time Survey results to their LEC/LGA. The *SMAA RTC Certification* form is used to identify and explain any results that exceed the Benchmark Time Survey Percentages for any billable code as well as any additional positions that may be required. The LEC/LGA will review and sign the form and forward the entire package to DHCS for review and approval.

DHCS will review the *SMAA RTC Certification* form and the associated Time Survey results and, if approved, the package will be forwarded to the Centers for Medicare and Medicaid Services (CMS) for final approval. If the application of the RTC resulted in changes to the overall Time Survey such as the removal of specific positions, a revised/corrected invoice will be required to be submitted for the deferral invoice as well as all subsequent invoices covered by the deferral period.

All materials related to invoices paid on the CMS I-64 for the quarter ending December, 2011, must be submitted to DHCS no later than 04/30/2014.

If you have any questions or require further assistance regarding this PPL, please contact Mr. Tony Teresi, Acting Chief, School-Based MAA Unit at (916) 552-9084, Tony.Teresi@dhcs.ca.gov

Sincerely,

ORIGINAL SIGNED BY MICHELLE KRISTOFF

Michelle Kristoff
Chief, Administrative Claiming, Local School Services Branch