



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

DATE: October 28, 2013

PPL No. 13-012

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)**

The purpose of this Policy and Procedure Letter (PPL) is to establish the parameters 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 (including State Fiscal Year (SFY) 2010-2011, SFY 2011-2012, and SFY 2012-2013) are subject to the RTC. The RTC must be applied to the individual invoice identified for the deferral period in addition to all subsequent invoices 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 has three components: 1) eliminate specified job classifications from the participant universe; 2) limit the total number of clerical, administrative and support staff 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 as follows:

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 Job Classifications from the Claiming Unit Functions Grid 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 RTC Certification Form (available at <http://www.dhcs.ca.gov/provgovpart/Pages/SMAA.aspx>) to justify the additional positions and attach a job description/duty statement.

Step 2: Review all clerical and administrative job classifications in the participant universe and limit the overall number of positions to no more than twenty percent of the total number of job classifications in the participant universe. In other words, in the Time Survey Participant Universe there should be no more than two clerical/administration positions for every ten provider/special education/support positions. Note: Should there be a need for more clerical positions than twenty percent of the total number of positions in the participant universe, the LEA must complete the RTC Certification Form to justify the additional positions and attach a job description/duty statement.

Step 3: Review the overall Time Survey results (after the positions identified in Steps 1 and 2 above have been eliminated or reduced) and compare the results to the established benchmark percentages which will be used to determine the level of detail that will need to be reviewed in the overall Time Survey results.

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 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 applying the following criteria using the RTC Certification Form:

(Refer to Attachment A: Time Survey Participant Universe Authorized Positions).

- Are a majority of the participants 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 assistants 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 concomitant amount.

Flat fee reimbursement will be limited to no more than fifteen percent of the total amount claimed (after the 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 the individual invoice identified for the deferral period, the LEA will complete and sign the RTC Certification Form and submit the form along with a copy of the overall Time Survey results to their LEC/LGA. The 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 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 must be submitted to DHCS no later than six months from the date of this PPL. No extensions will be granted. The 6-month window applies to the deferred invoices only. Any RTC compliance packages received after 04/30/2014 will not be approved and the LEA will forfeit their reimbursement.

All of the necessary forms can be found by clicking on the Reasonableness Test Criteria link on the SMAA website at <http://www.dhcs.ca.gov/provgovpart/Pages/SMAA.aspx>.

If you have any questions or require further assistance regarding this PPL, please contact Ms. Carolyn Cain-Smith, Chief, School-Based MAA Unit at (916) 552-9049, Carolyn.Cain-Smith@dhcs.ca.gov.

Sincerely,

ORIGINAL SIGNED BY JENNIFER BROOKS

Jennifer Brooks, Acting Chief
Safety Net Financing Division