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

JENNIFER KENT
DIRECTOR

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GOVERNOR

DATE: June 14, 2016 PPL No. 16-011

TO: Local Educational Consortia (LEC) and
Local Governmental Agency (LGA) Coordinators

Subject: Disbursement and Recoupment of Deferral Settlement Funds

The purpose of this Policy and Procedure Letter (PPL) is to issue guidance to the LECs and LGAs on the disbursement and recoupment of deferral settlement funds for the School-Based Medi-Cal Administrative Activities (SMAA) program. In June 2015, the Department of Health Care Services (DHCS) issued lump sum settlement payments to the LECs and LGAs for the Local Educational Agencies (LEAs) within their service regions. These payments were derived from the net balance of the difference between the deferred paid claims and the deferred placeholder claims after the application of the deferral settlement percentages. The attached spreadsheet illustrates the calculations used to determine the interim payments that were issued.

The final distribution of the total settlement funds owed to a particular LEA, requires the LEAs with the net negative balance to pay their LEC/LGA the amount reflected in Column K (listed in red) on the attached spreadsheet. This net negative balance represents an over-payment from previously paid deferred claims.

For the funds that were distributed, the initial distribution of settlement funds from the LECs/LGAs to the LEAs will be based on a *pro-rata* calculation of the total funds that were issued by DHCS to the LEC/LGA, divided by the total amount that is owed to the LEAs based on the settlement netting process. These percentages are detailed in Column L on the attached spreadsheet. The LECs and LGAs must recoup all overpayments and distribute the balance of the *pro-rata* payments to the remaining LEAs in their regions.

Once the LEC/LGA collects the required funds from the LEAs with a net negative balance, the LEC/LGA will then use those funds to reconcile the initial *pro-rata* payments made to the LEAs. This letter provides below step-by step instructions for the LECs/LGAs to distribute the payments to the LEAs with the net positive balance.

The following step-by-step process will allow LECs and LGAs to distribute the funds they have collected to the LEAs in their county/region:

Safety Net Financing Division
1501 Capitol Avenue, MS 4603 P.O. Box 997436
Sacramento, CA, 95899-7436
Phone: (916) 552-9113 Fax: (916) 552-8651
Internet Address: http://www.DHCS.ca.gov

Step 1: Enter the amount of the check the LEC/LGA received from DHCS in the *Pro-Rata* Table to the right of the Key Table at the bottom of the spreadsheet. Once a dollar amount is entered, the spreadsheet will auto-populate.

Step 2: Determine which LEAs have a net positive balance and issue payments based on the *pro-rata* amount listed in Column M for that LEA.

Step 3: Once the LECs/LGAs collect payments from the LEAs with the net negative balances, each LEC/LGA will distribute those funds to the LEAs according to the percentages identified in the *Pro-Rata* Net Negative Distribution Table on the right side of the spreadsheet.

Note: Only LECs/LGAs that have claiming units in the red, will show a *Pro-Rata* Net Negative Distribution Table under the tab for that LEC/LGA.

As an additional consideration, there was a discrepancy in the payments that were issued to the LECs/LGAs and the total settlement amounts that were due to the LEAs. This discrepancy is due to deferrals placed on a number of other DHCS programs, outside of the SMAA program, by the Centers for Medicare and Medicaid Services (CMS). These other program deferrals have created a delay in obtaining the federal funds necessary to make retroactive payments for dates of service beginning with state fiscal year (SFY) 2009-10 Quarter 3 through SFY 2011-12 Quarter 1. Invoices submitted for these dates of service were submitted to CMS as placeholders corresponding to Federal Fiscal Year (FFY) 2012 and FFY 2013. DHCS is working closely with CMS to clear all outstanding program deferrals that are hindering the release of federal funds and will provide an update as we receive additional information.

Once DHCS issues the balance of the payments to the LECs/LGAs for distribution to the LEAs for the amounts due from claims submitted for SFY 2009-10 Quarter 3 through SFY 2011-12 Quarter 1, the LECs/LGAs will distribute these final payments to each LEA.

If you have any questions or require further assistance regarding this PPL, please contact Tony Teresi, Chief, DHCS SMAA Unit at (916) 449-5182, or Tony.Teresi@dhcs.ca.gov.

Sincerely,

ORIGINAL SIGNED BY MICHELLE KRISTOFF

Michelle Kristoff, Chief
Medi-Cal Administrative Claiming Section