

## ATTACHMENTS TO THE AGREEMENT

1. April 28, 1995 Letter on Submitting Claims for the Resolution Period.
2. September 8, 1995 Letter on Submitting Claims for the Transition Period.
3. March 1, 1995 Disallowance Letter.
4. May 9, 1995 Disallowance Letter.
5. Allowability of Cost Categories--Resolution Period.
6. July 26, 1995, July 19, 1995, and June 12, 1995 Letters on Mental Health Claiming.

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**ATTACHMENT 1**

DEPARTMENT OF HEALTH SERVICES

714/744 P STREET  
P.O. BOX 942732  
SACRAMENTO, CA 94234-7320



April 28, 1995

MAC Distribution Coordinator

Dear Coordinator:

**INSTRUCTIONS FOR THE DETAILED INVOICE AND PROGRAM SUMMARY INVOICE  
UNDER THE RETROACTIVE RESOLUTION PROCESS**

Enclosed are the instructions for completing the Detailed Invoice and Program Summary Invoice which are to be used to reclaim for Medi-Cal Administrative activities under the Retroactive Resolution process agreed upon between the Department of Health Services and the Health Care Financing Administration.

The instructions include a revised Detailed Invoice format and sample and a new Program Summary format and sample. These instructions should be reviewed thoroughly by staff involved in the preparation and submission of these forms as there are major differences under this process. The format and content of the invoices have been changed as well as the claims submission process and the requirement to report all sources of funding as explained in detail in the instructions.

Any questions about the Retroactive Resolution process should be directed to Cathleen Gentry at (415) 726-0398. For questions regarding invoice preparation and submission procedures, contact Patricia Kinney at (916) 657-4304.

Sincerely,

A handwritten signature in cursive script, appearing to read 'John Rodriguez'.

John Rodriguez  
Deputy Director  
Medical Care Services

Enclosures

cc: See next page

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MAC Distribution Coordinator  
April 28, 1995

cc Bill Lasowski, Director  
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**PREPARATION INSTRUCTIONS FOR THE RETROACTIVE RESOLUTION PROCESS  
FOR MEDI-CAL ADMINISTRATIVE CLAIMING**

A. Introduction

These instructions are for the Detailed Invoice to be used exclusively for the Retroactive Resolution Process for the period July 1, 1992 through December 31, 1994. The form blends the cost and revenue data elements into one spreadsheet which allows for the computation of the claim, adjusting for all necessary revenues and applying activity and eligibility percentages.

The Retroactive Resolution Invoice consists of two pages integrated into a single spreadsheet.

Page 1	Claim Form (Detailed Invoice)
Page 2	Revenue Pools and Direct Charges

The single-spreadsheet form allows the preparer to enter costs, averaged activity percentages as summarized, Medi-Cal percentage, and revenue data only once. The Lotus 123 application calculates all other elements of the claim.

Supporting documentation must be submitted with each Detailed Invoice. The supporting documents are:

- (1) Listing of all Funding Sources
- (2) Identification of staff in Cost Pool #4

The separate listing of all funding sources is for the purpose of identifying all funding sources of the claiming entity and their application to the appropriate revenue pools. This is a separate file on the diskette and is not integrated into the Detailed Claim. The information on this page(s) must be summarized and then entered on page 2 of the Detailed Invoice in the Revenue Pools section.

Costs of staff included in Cost Pool #4 must be identified by classification and the number of staff in each classification.

In addition, supporting documentation may be required to support the amount of "Other Costs" in Cost Pools #1, #2 and/or Cost Pool #4. If, after the distribution of Cost Pool #4, "Other Costs" for each of Cost Pool #1 and #2, is less than the sum of Salary and Benefits for that Cost Pool, supporting documentation need not be submitted at the time the Detailed Invoice is sent to DHS. This does not mean that you can claim "Other Costs" up to the level of Salary plus Benefits. Only actual costs incurred that can be substantiated may be claimed. The State reserves the right to request this supporting documentation and intends to do so on a random sampling basis. For example, for either Cost Pool #1 or Cost Pool #2, if the total of Salary plus Benefits (Line C) is \$10,000 and, after the distribution of Cost Pool #4, the total of "Other Costs" (Line J) is \$8,500, a detailed list of "Other Costs" will NOT need to be submitted with the Detailed Invoice. If your claiming entity is selected during the random sampling process, the MAC Coordinator will be requested to submit the supporting documentation. In all cases where "Other Costs" is greater than Salary plus Benefits for either Cost Pool #1 or #2, a listing of what has been included in "Other Costs" and the amount of each item will need to accompany the Detailed Invoice when sent to DHS.

A listing of "Other Costs" is included as Attachment A as part of these instructions. The list is not all inclusive. All non-claimable costs must be entered in "Other Costs" of Cost Pool #3. For example, the repair of an X-ray machine, medical supplies and malpractice insurance do not appropriately belong to Cost Pool #1, #2 or #4. They must be included in Cost Pool #3.

The major features of the Retroactive Resolution Detailed Invoice are:

1. This form was designed to accommodate claiming by Local Governmental Agencies (LGAs) and private contractors of LGAs.
2. Activity Survey/Time Study results for each activity are NOT shown individually but are clustered (summarized) in the "Activity Result Percentages" section on page 1 of the Detailed Invoice. Percentages for each claiming entity of the LGA will be sent as soon as they are approved by HCFA. See Attachment C for format example.
3. The total of Cost Pool #4 is distributed to the other three cost pools based on a percentage of salary and benefit costs.
4. All Funding Sources are identified to a specific Revenue Pool and offset against costs of the appropriate Cost Pool.
5. There is a Direct Charge section for costs associated with the claims preparation and the activities of the MAC Coordinator as explained in the Direct Charge section of these instructions.

#### B. Spreadsheet Application or Hand Calculation

The new form is provided in a Lotus 123 file (3.4). (Request for Excel and Macintosh versions should be directed to the Host County Liaison.) The user needs only to enter costs, funding amounts, the Medi-Cal percentage, and activity results onto the appropriate lines, as discussed below. These lines are marked with the word **(Enter)** in the "Formula" column and are shaded on the examples enclosed. All other lines on the spreadsheet are automatically calculated. Formulas must NOT be altered in any way as this will distort the calculation of the FFP.

If the claim is constructed manually, without the computer application, the preparer must enter the same data on the lines marked **(Enter)**, and then must calculate each of the remaining lines using the formulas shown in the "Formula" column.

#### C. General Instructions for Entering Data

On each line where the word **(Enter)** appears in the formula column, data should be entered which the preparer obtains from an external source. Only those data elements (cells) which appropriately reflect costs and funding sources applicable to the claiming entity should be included (filled). If there are no costs, funding sources or activity data for a specific cost pool, the line (cell) should be left blank. All sections marked "Formula" must not have data input or be altered. Doing so will alter the spreadsheet and therefore incorrectly calculate the components of the claim and result in an erroneous amount of reimbursement. Once all the items are entered, the Lotus spreadsheet will automatically calculate the remainder of the claim.

**NOTE:** Some lines marked **(Enter)** allow data entry in all four cost and revenue pools while others allow data entry only in certain cost and revenue pools.

At the top of this new claim form there is a "number indicator" (see cell F4) used to distinguish if the claim is for a private contractor to a LGA or for a claiming entity of a LGA. A "1" designates a private contractor and a "2" designates a LGA. It is critical to not only enter either 1 or 2, but to be sure to use the appropriate indicator number for the LGA or the private contractor as formulas later in the claim use this indicator to apply the proper federal financial participation (FFP) rate for reimbursement purposes.

Whenever data (cost, activity percentage, funding source) is entered in Cost and Revenue Pools #1, #2 or #3, this indicates that the preparer has documented evidence linking that data to that specific cost/revenue pool. Such evidence should be maintained in the audit file.

For example, salaries and benefits assigned to SPMPs by entry into Cost Pool #1 should be evidenced by payroll documentation to show the expenditure of such salaries and benefits on individuals who qualify as SPMPs. If travel or training cost data is entered into Cost Pool #1, evidence linking such training or travel to specific SPMP staff must be maintained.

D. Constructing Cost Pools

1. Local Governmental Agency Claiming Entities

For each period claimed, all costs for each entity submitting a Detailed Invoice must be assigned to one of the four cost pools as identified below:

Cost Pool #1 includes the costs of the following:

- Staff who have been designated as Skilled Professional Medical Personnel (SPMP) and who have participated in the activity survey/ time study;
- Clerical staff who work for, are supervised by, and provide "direct clerical support" to the SPMPs in Cost Pool #1;
- Supervisors of the SPMPs and the clerical staff in Cost Pool #1.

Note: If clerical staff or supervisors split their time between cost pools, only a proportionate share of their costs should be entered in each cost pool according to the documented time spent in each.

Cost Pool #2 includes the costs of the following:

- All other staff who participated in the activity survey/time study
- Clerical staff who work for the staff in Cost Pool #2;
- Supervisors of the staff in Cost Pool #2.

Cost Pool #3 includes the costs of staff NOT in Cost Pools #1, #2, or #4 and who did NOT complete an activity survey or time study. Typically, this includes staff who provide only treatment, counseling, clinical services, lab services or other non-claimable activities of the claiming entity.

Cost Pool #4 includes costs of general or administrative staff in the claiming entity who did NOT complete an activity survey or time study AND who are not included in the countywide (external) or any department/program (internal) indirect rate AND who, by the nature of their work, support the staff in the other three cost pools. Their time cannot specifically be identified to the other cost pools and, therefore, will be allocated. These staff may include management, secretarial, fiscal, supervisory and clerical staff not included in Cost Pools #1, #2, or #3.

NOTE: The total of all costs in Cost Pool #4 will be allocated to Cost Pools #1, #2, and #3 based on the salaries and benefits of these cost pools.

2. Contractors

A separate Detailed Invoice is required for each contractor. The requirement to provide cost and funding data in Cost Pools and Revenue Pools #1, #2, #3 and/or #4 is dependent upon the provision and purpose of the contract between the LGA program and the contractor and the Funding Sources used to reimburse the contractor.

In the simplest case, a LGA program may contract with a contractor to provide a specific LGA administrative activity using only their unmatched General Funds. This would be a single purpose contract as it did not include contracting for services. For claiming purposes, the contractor's Detailed Invoice could be prepared using only Cost Pools #1 and/or #2, depending on staff qualifying as SPMPs. Their costs would be entered on page 1 of the Detailed Invoice in the Cost Categories section, Line A through Line J. There would be no need to enter costs in Cost Pool #4 or provide an itemization of "Other Costs" if operating expenses and overhead costs are an integral part of the contract amount. A "Listing of All Funding Sources" is not required from the contractor but it is necessary for the LGA program to certify the source of LGA funding for the contract and that no offset is required as these funds are unmatched LGA General Funds only. This certification should be made on county/city letterhead stating the foregoing and signed using the same certification statement found on the Listing of All Funding Sources form. Cost data will be entered on page 1 of the Detailed Invoice in the "Cost Categories" section on Line A through J. If the contractor was paid without specificity to each category of cost per terms of the contract, the costs for Cost Pool #1 and/or #2 could be entered on Line J. The contractor's Medi-Cal percentage for the period claimed is entered on page 1 of the Detailed Invoice in the "Medi-Cal Percent" section on Line Z with an indication of how the percent was determined on Line Z1.

The LGA programs may contract to have multiple services provided by one contractor, i.e. to perform administrative activities and other direct services. Contract funding provided by the LGA program may include State funds, their General Funds and/or other funding sources of the LGA. The contracting for administrative services could require the use of SPMPs and Non-SPMPs. In this case, it would be necessary for the contractor to complete the Detailed Invoice entering data in Cost Pools #1 and #2 for activities surveyed or time studied by staff performing Medi-Cal administrative activities and Cost Pool #3 for staff performing only direct services (they did not fill out the survey or do the time study). Cost Pool #4 may have cost data entered if these costs are appropriately allocable to Cost Pools #1, #2 and/or #3. With multiple funding sources, it will be necessary to prepare the "Listing of All Funding Sources" document to identify funding sources and their assignment to the proper Revenue Pool. This will be posted on page 2 of the Detailed Invoice in the "Summary of Funding Sources to be Offset" section on Lines RA through RH, as appropriate. Cost data will be entered on page 1 of the Detailed Invoice in the "Cost Categories" section on Line A through J. If the contractor was paid without specificity to each category of cost per terms of the contract, the costs for Cost Pool #1 and/or #2 could be entered on Line J. The contractor's Medi-Cal percentage for the period claimed is entered on page 1 of the Detailed Invoice in the "Medi-Cal Percent" section on Line Z with an indication of how the percent was determined on Line Z1.

**Note: Contractors may NOT include costs funded from other public entities, i.e. cities, for administrative activities performed outside the contract with the LGA program.**

#### E. Entering Costs for LGA Claiming Entities

<u>Line A:</u>	Cost Pool #1	Enter the salary costs of the SPMP staff who participated in the activity survey or time study and their supervisors. Also enter the salary costs of clerical staff who are supervised by and are in direct support of the SPMP on Line A. Federal regulations state that the salary cost of clerical staff supervised by and in direct support of SPMPs may be claimed at an enhanced FFP rate of 75 percent. To claim at this enhanced rate, enter these costs on Line A.
	Cost Pool #2	Enter the salary costs for all staff in Cost Pool #2.
	Cost Pool #3	Enter the salary costs for all staff in Cost Pool #3.
	Cost Pool #4	Enter the salary costs for all staff in Cost Pool #4.

**NOTE:** Salary costs should be consistent with data from the payroll accounting system.

Line B: Enter the cost of benefits for all staff in each cost pool.

NOTE: Benefits should be determined by the standard conventions of the accounting system. Exact amounts should be used if they are available. However, if these costs are normally computed as a percentage of salaries, use this method to determine the benefits cost.

Line E: Enter the costs of travel and training applicable to staff in each cost pool except for CP #1 as explained below. If some training costs are only identifiable for the entire claiming entity, they should be entered on Line E of Cost Pool #4. They will subsequently be allocated to the other cost pools based on salary and benefit costs.

Line G: For all cost pools, enter other costs directly attributable to each cost pool if they can be properly identified. Otherwise, enter the other costs on Line G of Cost Pool #4 for allocation to the other three cost pools. Generally, the Other Costs line includes the normal day-to-day and monthly operating expenses necessary to run the claiming entity.

In addition, Other Costs include Countywide/Citywide (external) and departmental/agency (internal) overhead or indirect costs applicable to each cost pool. External indirect costs typically include the costs of the central control agencies of the county/city government (Auditor-Controller, Treasurer, General Services, Personnel, etc.). Internal indirect costs typically include the costs of a department's administrator and office staff, as well as staff from legal, fiscal/accounting, personnel, etc.

Some agencies refer to these indirect or overhead costs as their "A-87" costs because indirect cost claiming principles for all federally subsidized programs are promulgated under the federal OMB Circular A-87.

External indirect cost rate plans (ICRPs) must be submitted to and approved by the State Controller's Office. Internal ICRPs must be prepared and on file with the LGA for each claiming entity. Both these plans must be prepared in accordance with the provisions of OMB Circular A-87 to withstand an audit. It is to be noted that in no circumstance should the costs of staff included in either of the indirect cost rates also be included again as a specific cost in any of the cost pools.

In summary, if a cost is known to be associated exclusively with the cost pool or particular staff identified in one of the four cost pools as described above, that cost should be entered directly into that cost pool. If, however, the cost is not specifically associated with one cost pool, but rather applies to Cost Pools #1, #2 AND #3, it should be entered into Cost Pool #4 to be distributed to Cost Pools #1, #2, and #3 in proportion to their salary and benefit costs.

#### F. Entering the Percentage of Medi-Cal Recipients

Line Z: For Cost Pools #1 and #2, enter the claiming entity's Medi-Cal percentage for the period being claimed. This percentage must be determined by actual head counts or the countywide average. Another method must not be used unless it has been submitted to and approved by HCFA.

If using the Lotus application, the Medi-Cal percentage needs only to be entered on Line Z, Cost Pool #1 as this percentage will automatically be entered in Cost Pool #2. For manual calculation, it is necessary to enter the same percentage in Cost Pool #1 and #2.

#### G. Entering Activity Data

Each claiming entity has been provided the approved percentages to enter on lines TA through TG of the Detailed Invoice (see Attachment C for a sample). If you do not have this information, contact your MAC Coordinator. If the MAC Coordinator does not have this data, the MAC Coordinator must contact the DHS Federal Liaison Unit.

## H. Rules for Offsetting Funding Sources (Revenues)

In order to arrive at the net cost for which the federal government is willing to pay a share, it is important to offset all applicable funding sources. They represent an offset to costs and must therefore reduce the amount of cost in which the federal government is willing to share.

The following rules govern which revenues received by a program must be offset, i.e. subtracted, from costs before a Federal match may be claimed.

1. All Federal funds, along with maintenance of effort and other State/local matching funds required by the Federal grant, must be offset.
2. All State General Fund monies which have been previously matched by the Federal Government must be offset (this includes Medi-Cal fee for services money).
3. State General funds specifically targeted or earmarked to the delivery of services may not be used to draw down a Federal match for administrative activities. Therefore, these targeted funds must be offset.
4. Insurance and other fees collected from non-governmental sources must be offset.
5. Finally, a program may not draw down any Federal match for administrative activities if its total cost has already been paid by the revenue sources in numbers 1-4 above. A governmental program may not be reimbursed in excess of its actual net costs, i.e. make a profit.

Obviously, the fact that the county has advanced county money to keep a program in operation while awaiting the receipt of Federal matching funds does not mean that a program has been paid its full costs.

## I. Understanding Revenue Pools

The claim form provides for the application of the funding source to the appropriate Revenue Pool in order to offset costs of the applicable Cost Pool. Therefore, before entering the amounts, the preparer must first classify funding sources by type, then determine, if possible, who or what generated that funding.

The next step is to assign the funding sources to the revenue pool to which it applies.

There are four Revenue Pools: RP #1, RP #2, RP #3 and RP #4. Generally, these correspond to the four cost pools. Determining which Revenue Pool to use when assigning funding requires careful consideration to insure correct funding source allocation for offset purposes.

Whereas, the use of a Cost Pool is determined primarily by the individual workers assigned to that pool, the use of a Revenue Pool is determined primarily by the purpose of the funding, not necessarily the associated workers. This is because revenue is normally collected for a service or product, and is often not identified to a worker or group of workers in the same way that salary and benefits costs are identified to individual staff. Correctly assigning the funding source to the appropriate Revenue Pool may be a difficult task. Rationale for assigning a funding source to a specific revenue pool should be documented and retained as part of the audit file.

Following, in reverse order, are explanations as to the assignment of revenue to the four Revenue Pools.

### Revenue Pool #4:

Funding sources NOT associated with any particular activity or NOT identified to RP #1, #2 or #3 but which accrue to the receiving entity should be assigned to RP #4 and will be allocated to the other Revenue Pools based upon salary and benefits costs.

Revenue Pool #3:

In health programs, probably the majority of funding sources will be received as payment for direct health care provided by the claiming entity. Funds assigned to RP #3 will offset costs in CP #3. If the amount in RP #3 are greater than the costs in CP #3, the excess amount must be distributed to RP #1 and RP #2 where it will then offset the direct services costs of the respective cost pools before being applied to administrative costs.

The Lotus 123 spreadsheet automatically does the calculations to distribute the excess amount of funding to RP #1 and RP #2. For manual calculation, use the formulas in the "Formula" column.

- EXAMPLES: (a) Medi-Cal fee-for-service payments (including the state or local match for federal funds)  
(b) Direct Service fees collected from clients  
(c) Third party insurance payments  
(d) Other program revenue

Revenue Pools #1 and #2

Funding sources which can be determined as directly attributable to staff assigned to Cost Pools #1 or #2 or amounts received to support the activities performed by staff in Cost Pools #1 or #2 MUST be entered in RP #1 or RP #2 respectively to offset the cost of the respective cost pools.

EXAMPLE A: The claiming entity receives a federal grant dedicated to training public health nurses in public health administration. All such nurses employed by the claiming entity are in CP #1. This amount must be assigned to RP #1.

EXAMPLE B: The claiming entity receives a federal grant dedicated to nurse training in general. Half the trainees are in CP #3 and the other half are in CP #1. Half the amount should be assigned to RP #3, the other half to RP #1.

J. Entering Funding Sources

Line RA: For each Revenue Pool, enter the applicable Med.-Cal Fees + match.

Line RB: For each Revenue Pool, enter the applicable Federal Grant + match.

Line RC: For each Revenue Pool, enter the applicable State funding.

Line RD: For each Revenue Pool, enter the applicable Medicare revenue.

Line RE: For each Revenue Pool, enter the applicable Insurance payments.

Line RF: For each Revenue Pool, enter the applicable Fees.

Line RG: For each Revenue Pool, enter all "Other" funding sources as summarized from the attached "Listing Of All Funding Sources".

## K. Understanding Cost Adjustments Due to Funding Offset

The funding sources entered onto Lines RA through RG are summed on Line RH. The spreadsheet transfers the amounts on Line RH to Line L on Page 1 of the Detailed Invoice.

- Line L - Picks up funding sources in RP #1, RP #2, RP #3 and RP #4 from Line RH and inserts these amounts into the associated Cost Pool columns.
- Line M - Allocates the funding sources on Line L in Cost Pool #4 to Cost Pools #1, #2, and #3 using the distribution percentages on Line D which were determined in proportion to salary and benefit costs shown on Line C.
- Line N - Is the summation of Lines L and M and calculates the "Total Funding" to be offset.
- Line O - Reports the cost of Cost Pool #3 from Line K above for offsetting purposes.
- Line P - Calculates the cost of the non-claimable activities in Cost Pool #1 and Cost Pool #2, including a proportionate share of general administration and paid time off costs.
- Line Q - Is the result of the application of costs on Line O in Cost Pool #3 against the funding source amount on Line N in RP #3. Any excess amount over costs in Cost Pool #3 is determined and entered on this line. If there is no excess amount, a zero is entered.
- Line R - Is the Distribution percent derived from using the Direct Service Costs on Line P of Cost Pool #1 and Cost Pool #2 in proportion to the sum of these costs. These percentages are used to distribute any excess funding amount from Cost Pool #3. If there is no cost in both Cost Pools #1 and #2 on Line P, a zero will appear if using a spreadsheet application. For manual calculations, enter zero percent.
- Line S - Is reallocated funding amount, if any, from Line Q after applying the percentages on Line R for Cost Pool #1 and Cost Pool #2.
- Line T - First applies any Reallocated funds in Cost Pool #1 and Cost Pool #2 against any Direct Service Costs on Line P for Cost Pools #1 and #2 respectively. If there is no excess amount, it is because the Direct Services Costs have fully offset or absorbed the funding sources. In this case, only the amount from Line N for Cost Pools #1 and #2 will be entered on Line T to be offset against Personnel and Other Costs on Lines U and V below. However, if there is an excess amount (Line S) for Cost Pools #1 and #2 over Direct Service Costs (Line P) for Cost Pools #1 and #2, then that excess amount must be added to the funding sources (Line N) for Cost Pools #1 and #2 and that SUM will be offset against Personnel and Other Costs on Line U and V below.
- Lines U - Any remaining amount shown on Line T is distributed proportionately between Personnel  
and V and Other Costs, and the results are shown on Lines U and V respectively.
- Lines W - Finally, these remaining amounts on Lines U and V are offset against Personnel and  
and X Other Costs in Cost Pool #1 and Cost Pool #2 on Lines W and X.
- Line Y - Shows the total net cost after all funding source adjustments have been completed.

## L. Direct Charges:

This section of the claim form accommodates claiming of costs of administrative staff's time spent on the preparation of the Administrative Claim (includes time spend on training, time study analysis and summarization, etc.) as well as other direct costs attributable to the aforementioned functions (special time study forms, scantron equipment etc.). The MAC coordinator's costs may also be direct charged only for the time spent performing the duties and responsibilities of the MAC Coordinator. This may include attending meetings, providing training to staff related to administrative claiming, reviewing administrative claims, etc. These costs will not be factored by the medical percentage and are reimbursable at the non-enhanced rate of 50% FFP.

All costs included as Direct Charges must not also be included on any other line.

## M. Entering Direct Charges

Line DA: Enter the costs of staff and their related costs who are dedicated to the MAC coordination function and the preparation of the claim. If a staff spends only a portion of their time on these functions, they must have time studied to determine the amount of time on this activity and only the appropriate share of their costs may be entered here. The costs for the remaining time must be entered on the appropriate line of the claim.

## INVOICE ORGANIZATION

It is the responsibility of the MAC Coordinator to review all invoices for completeness and accuracy prior to submitting them to the State Department of Health Services. Invoices not submitted on the Retroactive Resolution Process forms will be returned without being reviewed. Invoices containing errors will be returned to the LGA for correction. To expedite the review process and the ultimate payment, it is necessary to follow all these instructions.

All entities submitting claims for reimbursement for performing Medi-Cal administrative activities must use the following guidelines in completing their claims:

Two types of invoices MUST be used for the Retroactive Resolution Process:

The **Detailed Invoice** is to be used for each distinct program within a given agency for which a claim is being filed. For example, if a mental health agency is claiming separately for its children's program and its adult program, it would submit two (2) Detailed Invoices. The Detailed Invoice does not need to be submitted on letterhead but must have the certification statement and be signed and dated by the appropriate person.

**NOTE:** A separate Detailed Invoices must be submitted for each private contracting agency or community-based organization.

**NOTE:** A "distinct program" is defined as follows:

- It is a free-standing organization, as in a contract agency, or
- It uses a Medi-Cal percentage which is distinct from other units in the program, or
- It is organizationally distinct from other programs in the agency

(For example, if a health services agency operates a mental health program, a hospital and public health programs under a single umbrella, each of these would be a "distinct program" and a separate Detailed Invoice may be required for each.)

**For the Retroactive Resolution Process Only,** claiming entities may submit their Detailed Invoices as they are prepared to DHS. The requirement to bundle and send all Detailed Invoices together no longer applies. Receiving the Detailed Invoices on a flow basis will allow DHS to expedite the review process. Therefore the usual Summary Invoice required under the original MAC process has been eliminated for this Retroactive Resolution Process. It has been replaced by the **Program Summary Invoice** as described below.

The **Program Summary Invoice** nets amounts payable under the Retroactive Resolution Process from what has previously been paid. The Program Summary Invoice will be used by the State to determine the total reimbursable net amount for each LGA. If no previous payments were made, a zero "0" should be entered on the line where previous payments would have been entered. This will be sent to the State

Controller's Office, along with the Detailed Invoice. It must be submitted on letterhead and must have an original signature. Detailed instructions for completing this new form are given later in these instructions.

Both of these forms are on the enclosed diskette. It is necessary to submit claims using these formats only.

#### THE ANNUAL CLAIM

Claims for each claiming unity are normally submitted for each quarter. However for the Retroactive Resolution Process only, HCFA has agreed to allow an annual claim. This means for each claiming entity one claim **MUST** be submitted for fiscal year 1992/93, one for fiscal year 1993/94 and one for the first two quarters of fiscal year 1994/95. It should be noted that submission of an annualized claim does not necessarily mean the Detailed Invoice will include costs for all four quarters.

The following guidelines must be considered when determining how many quarters's costs may be included in the annual claim for each fiscal year. This should be consistent with what was indicated on the Universe Survey.

#### For Fiscal Year 1992/93:

All four quarters of FY 1992/93 may be included if, under the original MAC system, claims for all four quarters have been submitted to DHS or if the first three quarters have been submitted and the 4th quarter will be submitted prior to June 15, 1995.

Three quarters (2nd, 3rd and 4th) may be included if the 2nd, 3rd and 4th quarters have been submitted to DHS, or if the 2nd and 3rd quarters have been submitted and the 4th quarter will be submitted by June 15, 1995.

Two quarters (3rd and 4th) may be included if the 3rd and 4th quarters have been submitted to DHS, or if the 3rd quarter has been submitted and the 4th will be submitted by June 15, 1995.

One quarter (4th) may be included if it has been submitted to DHS or will be submitted by June 15, 1995.

**Due to the two year federal claiming limitation, claims for the first three quarters may NOT be included unless they have previously been submitted to DHS and included on the HCFA 64 Report.**

#### For Fiscal Year 1993/94: (see Attachment B )

All four quarters of FY 1993/94 may be included if one of the following conditions are met:

- (1) MAC time studies were completed for all four quarters,
- (2) MAC time studies were completed for the 2nd, 3rd and 4th quarters of FY 1993/94.
- (3) MAC time studies were completed for the 3rd and 4th quarters of FY 1993/94 and the 1st and 2nd quarters of FY 1994/95.
- (4) MAC time studies were completed for the 4th quarter of FY 1993/94 and the 1st, 2nd, and 3rd quarters of FY 1994/95.

Three quarters (2nd, 3rd and 4th) of FY 1993/94 may be included if:

- (1) MAC time studies were completed for the 2nd, 3rd and 4th quarters of FY 1993/94.

- (2) MAC time studies were completed for the 3rd and 4th quarters of FY 1993/94 and the 1st and 2nd quarters of FY 1994/95.
- (3) MAC time studies were completed for the 4th quarter of FY 1993/94 and the 1st, 2nd and 3rd quarters of FY 1994/95.

Two quarters (3rd and 4th) of FY 1993/94 may be included if:

- (1) MAC time studies were completed for the 3rd and 4th quarters of FY 1993/94.
- (2) MAC time studies were completed for the 4th quarter of FY 1993/94 and the 1st, 2nd and 3rd quarters of FY 1994/95.

One quarter (4th) of FY 1993/94 may be included if a MAC time study was completed for that quarter.

For Fiscal Year 1994/95: (Two Quarters maximum)

Two quarters may be included if MAC time studies for the 1st and 2 quarters of FY 1994/95 were completed.

One quarter may be claimed if a MAC time study was completed in one quarter of FY 1994/95.

**STANDARD INVOICE NUMBERING SYSTEM**

Each annual Detailed Invoice submitted must be numbered using one of the following:

The invoice numbering system is designed to identify the fiscal year and the number of quarters included in the annual claim. For example, invoice number 92/93-3 is the annual claim for fiscal year 1992/93 and includes 3 quarters ( October 1, 1992 - June 30, 1993).

<u>Invoice Number</u>	<u>Period of Service</u>
92/93-1	April 1, 1993-June 30, 1993
92/93-2	January 1, 1993-June 30, 1993
92/93-3	October 1, 1992-June 30, 1993
92/93-4	July 1, 1992-June 30, 1993
93/94-1	April 1, 1994-June 30, 1994
93/94-2	January 1, 1994-June 30, 1994
93/94-3	October 1, 1993-June 30, 1994
93/94-4	July 1, 1993-June 30, 1994
94/95-1	October 1, 1994-December 31, 1994
94/95-2	July 1, 1994-December 31, 1994

- Each Annual Detailed Invoice MUST be signed by designated staff and include the typed name of signer.
- The Program Summary Invoice MUST be submitted on letterhead, have an original signature and the typed name of signer and accompany each Detailed Invoice.

## Program Summary Invoice

The **Program Summary Invoice** will net out "amounts due" under the Retroactive Resolution Process from what has previously been paid. The State Controller's Office requires documents submitted for payment be submitted on letterhead. Since the Detailed Invoice format does not allow spacing for letterhead, the Program Summary Invoice must be submitted on letterhead and must have an original signature. Therefore this form is required even though no previous payments to the LGA for the claiming entity were made. If no previous payments were made, a zero "0" should be entered on the line for previous payments.

### Instructions for Preparing the Summary Invoice:

The period of service and invoice number must be consistent with the Detailed Invoice.

Line A1: This represents the total amount of enhanced FFP previously paid. (NOTE: No amount will be entered for Cost Pool #2 since there are no enhanced costs for this Cost Pool.) Enter a "0" if no previous payment were received.

For FY 1992/93 Enter the amount on Line U of the original 1992/93 Detailed Invoice  
For FY 1993/94 Enter the amount on Line Z of the original 1993/94 Detailed Invoice

Line A2: Enter the amount shown on Line AG of the Detailed Invoice for the Retroactive Resolution Process.

Line A3: Subtract Line A1 from Line A2.

Line B1: This represents the total amount of non-enhanced FFP previously paid. Enter a "0" if no previous payments were made.

For FY 1992/93 Enter the amount on Line V of the original 1992/93 Detailed Invoice  
For FY 1993/94 Enter the amount on Line AA of the original 1993/94 Detailed Invoice

Line B2: Enter the amount shown on Line AF of the Detailed Invoice for the Retroactive Resolution Process.

Line B3: Subtract Line B1 from Line B2.

Line C1: This represents the amount of Direct Charges previously paid. Enter a "0" if no previous payments were received.

Line C2: Enter the amount shown on Line AH of the Detailed Invoice for the Retroactive Resolution Process.

Line C3: Subtract Line C1 from Line C2.

Line D1:  $A1 + B1 + C1$  This represents the total amount of FFP previously paid.

Line D2:  $A2 + B2 + C2$  This represents the total amount of FFP due from the Retroactive Resolution Process

Line D3: Subtract Line D1 from Line D2..

Line E: Add Line D3 Cost Pool #1 to Line D3 Cost Pool #2. A positive amount means additional-FFP is due for this Claiming Unit. A negative amount means that the Claiming Unit has been overpaid and an offset will be made.

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### Procedures for Submitting Corrections:

All claims submitted to the State Department of Health Services for payment are reviewed by staff in the Accounting Section, Federal Liaison Unit (FLU). If errors are found or additional documentation is required, state staff will contact the submitting entity. It may be possible to resolve the error by phone contact or by having the LGA submit (FAX and/or mail) additional data. If this can be accomplished in a day or two, the claim will be held in the FLU pending resolution. Otherwise, it will be returned to the LGA with a letter explaining the reason(s) why it is being returned for correction and resubmission.

Corrected claims must be clearly identified as a corrected claim (C1) when they are resubmitted to DHS. If it has more than one correction, it should be labeled C2, etc.

Once a claim has passed fiscal review, it will be forwarded to the Medi-Cal Benefits Branch (program) for review and authorization for payment.

Upon payment approval, HCFA region IX auditors will be advised there are claims ready for review. They will perform the initial HCFA review.

After their review is complete and all issues resolved, HCFA staff from Baltimore will come to Sacramento for the final review of the claim. If the claim meets with their approval, it will be scheduled for payment by the State Controller's Office, assuming there is an amount due.

### OTHER COSTS: EXAMPLES

"Other costs" are those costs, other than Salaries, Benefits, Travel and Training, which are necessary for the proper and efficient administration of the Medicaid program. While many operating ("other") costs, are claimable, some are not. Below is a listing of typical costs which may be claimed for reimbursement and list of costs which are not claimable and must be listed as Other Costs in Cost Pool #3. Both lists are only examples and are not considered exhaustive.

#### Claimable Operating (Other) Costs

- \* office supplies
- \* office furniture
- \* office equipment
- \* computers and software
- \* data processing costs
- \* purchased clerical support
- \* office maintenance costs
- \* utilities costs
- \* building/space costs (with capitalization limits)
- \* repair and maintenance of equipment
- \* vehicle rental/amortization and fuel
- \* facility security services
- \* records and equipment storage
- \* printing and duplication costs
- \* agency publications and advertisement costs
- \* personnel and payroll services costs
- \* property and liability insurance (excluding malpractice insurance)
- \* professional association/affiliation dues
- \* legal representation for the agency
- \* indirect costs when determined to be in accordance with OMB Circular A-87

All the above are valid claimable costs only if they do not relate to non-claimable categories of cost. For example, repair and maintenance of office equipment used to support activities of SPMPs in Cost Pool #1 are valid claimable costs. The repair and maintenance of an X-ray machine or lab equipment are not valid claimable costs and must be entered as "Other Costs" of Cost Pool #3.

#### Non-Claimable Operating Costs

- \* malpractice insurance
- \* equipment used for providing direct services
- \* medical supplies
- \* drugs and medications
- \* costs of elected officials and their related costs
- \* costs for lobbying activities

Guide to Determine the Number of Quarters to be Included in the 1993/94 Annual Claim for the Retroactive Reclaim Process

MINIMUM REQUIREMENTS

X = time studied  
 B = Backcasted Claim Possible

	1993/94				1994/95			
	1	2	3	4	1	2	3	4
4 QUARTERS	X	X	X	X				
	B	X	X	X				
	B	B	X	X	X	X		
	B	B	B	X	X	X	X	
3 QUARTERS		X	X	X				
		B	X	X	X	X		
		B	B	X	X	X	X	
2 QUARTERS			X	X				
			B	X	X	X	X	
1 QUARTER				X				

**COUNTY NAME**

PROGRAM NAME

**CLAIMING PERCENTAGES FOR REVISED ADMINISTRATIVE CLAIMS**

These figures are the result of the activity survey you submitted for your county's Program Name. You must input these figures in the appropriate cells of the revised Lotus software program which you have recently received.

**ACTIVITY RESULT PERCENTAGES**

TA Enhanced Claimable-M/C factor.....	%
TB Non-Enhanced Claimable - no M/C factor.....	
TC Enhanced Claimable - no M/C factor.....	
TD Non-Enhanced Claimable -M/C factor.....	
TE Non-claimable Time.....	
TF General Administrative Time.....	
TG Paid Time Off.....	
TH Total Time.....	<b>0.00%</b>

Alpha = Invoice line

% = Numbers to be input