

## SECTION 4

# TARGETED CASE MANAGEMENT COST REPORT

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## ANNUAL COST REPORT OVERVIEW

Pursuant to Welfare and Institutions Code, Section 14132.44, each TCM provider of service must complete and submit to the DHS a cost report on the prior fiscal year (ending June 30) for each local program (i.e., Public Health, Public Guardian, etc.) providing TCM services. The cost report must be prepared in a format specified by DHS and submitted by November 1 of each year. Only one cost report is submitted for TCM services provided to target populations specified in the California Code of Regulations (CCR), Section 51271(b)(1), (2), (3), (4) or (5). The provider submits the annual cost report to:

<b>For Regular Mail:</b>	<b>For Overnight Mail (UPS, Fed Ex, etc.)</b>
<b>Department of Health Services Medi-Cal Benefits Branch Local &amp; Schools Services Unit Attn: Elizabeth Touhey 1501 Capitol Avenue, MS 4603 P.O. Box 942732 Sacramento, CA 94234-7320</b>	<b>Department of Health Services Medi-Cal Benefits Branch Local &amp; Schools Services Unit Attn: Elizabeth Touhey 1501 Capitol Avenue, Ste. 4001 Sacramento, CA 95814 Required phone number: (916) 552-9797</b>

### The cost report certifies:

- The availability and expenditure of one hundred percent (100%) of the nonfederal share of the cost of providing TCM services from the provider's general fund or from any other federally approved source.
- The total allowable cost of all TCM services.
- The eligibility of the costs of TCM program expenditures for federal financial participation.
- The compliance of costs reflected in the annual cost reports used to determine targeted case management rates, pursuant to W&I Code Section 14132.44(f)(1)(D).
- The nonduplication of claims for TCM services provided pursuant to W&I Code, Section 14132.44, with services provided under any other home and community-based services waiver.
- The nonduplication of claims for the same services submitted to public agencies or private entities under other program authorities.

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- The provider's compliance with all the requirements of CCR Section 51271.

The cost report reflects only the allowable direct and indirect costs of providing TCM services as delineated in OMB Circular A-87. A certification statement, signed by the TCM coordinator or his/her designee, must accompany the cost report and attest to the cost data's validity.

### **Allowable costs include:**

- Salaries and benefits.
- Services and supplies, including costs of contracted TCM services.
- Operating expenses, including leases, bond-servicing costs, and countywide/citywide overhead costs as reflected in the approved cost allocation plan.
- Amortized capital expenditures.
- Documented cost increases, such as contractual increases for salaries, benefits, or operating costs.
- Cost of Living Allowances (COLAs).

### **Unallowable costs include, but are not limited to:**

- Interest payments.
- Malpractice Insurance.

The information in the cost report is used to determine the annual, program-specific, per-encounter rate for the current fiscal year using actual allowable costs and encounter data from the prior fiscal year.

The department will provide timely review of the cost report and will return the cost report to the submitting provider if it is unaccepted, indicating the reasons for the denial.

## REIMBURSEMENT METHODOLOGY

### Overview

LGAs are reimbursed the federal share of cost for providing TCM services to Medicaid-eligible persons based upon the actual allowable costs of providing TCM services. An annual, program-specific, per-encounter rate is developed for each program providing services to Medicaid-eligible persons who meet the target population criteria.

The actual allowable costs and encounter data from the prior fiscal year establish the per-encounter rate for the current fiscal year. The rate is calculated by dividing the prior fiscal year costs of providing TCM services by the total number of encounters (both Medicaid and non-Medicaid) in that fiscal year. LGAs may only claim the federal share of the costs of providing TCM services to Medicaid-eligible persons.

An “encounter” is defined as a face-to-face contact, or a significant telephone contact in lieu of a face-to-face contact (when environmental considerations preclude a face-to-face encounter), for the purpose of rendering one or more TCM service components by a case manager. For Public Guardian target populations, the encounter may be with persons acting on behalf of the Medi-Cal beneficiary.

Once the department has approved the LGA’s TCM service encounter rate, the LGA agrees to the reimbursement rate as payment in full.

TCM subcontract administration, TCM data systems and claiming coordination and TCM quality assurance/ performance monitoring cannot be performed by a case manager or other service provider (see TCM rate content T.4-4-1 to T.4-4-2).

## TARGETED CASE MANAGEMENT CAP

### Overview

The TCM maximum reimbursement limit (Cap) ensures compliance with the federal requirement that reimbursements to providers do not exceed the providers' actual costs.

The total dollar amount that may be claimed in the current fiscal year is calculated by multiplying the per-encounter rate by the projected number of Medi-Cal encounters. The projections must be supported by program documentation that identifies staff levels sufficient to achieve the projected number of encounters.

Any costs associated with providing TCM services in the current fiscal year in excess of the Cap are identified in the TCM cost report and become part of the calculation to determine the per-encounter rate for the subsequent fiscal year.

The LGA receives a TCM approval letter that identifies the encounter rate and the Cap. The Cap must be multiplied by the appropriate FMAP to determine the maximum reimbursable federal share. (The TCM Cap is equal to line 22 of Worksheet A of the cost report and represents 100 percent of reported TCM costs.) The number of projected Medi-Cal encounters is multiplied by the appropriate TCM encounter rate; this amount is then multiplied by the FMAP. The resulting amount is the maximum amount the LGA will be reimbursed.

**TARGETED CASE MANAGEMENT RATE CONTENTS**

The costs of performing the following activities by the case manager are included in the TCM service rate:

- Staffing cases through team meetings and interagency coordination time;
- Traveling and related costs incurred by a case manager while performing TCM duties;
- Arranging client transportation and appointments;
- Preparing/documenting case records;
- Arranging for translation activities and/or providing translation as part of the TCM service, including the costs of purchasing translation services from a vendor to enable communication between the client and case manager;
- Supervising case managers;
- Case managers receiving non-SPMP training;
- Administering TCM subcontracts, when performed by an identifiable unit of one or more employees not otherwise claimed or funded through established rates or other programs, to:
  - ❑ Identify and recruit community agencies as TCM contract providers;
  - ❑ Develop and negotiate the performance of subcontractors to TCM providers to ensure appropriate delivery of TCM services to eligible beneficiaries;
  - ❑ Monitor TCM provider subcontracts to ensure compliance with Medi-Cal regulations; and
  - ❑ Provide technical assistance to TCM subcontractors regarding county, State, and federal regulations.
- Monitoring TCM Quality Assurance/Performance, including:
  - ❑ TCM case documentation compliance;
  - ❑ TCM “free care” and “third party liability” compliance;
  - ❑ Preventing duplication of services and ensuring continuity of care when a Medi-Cal recipient receives TCM services from two or more providers; and
  - ❑ Monitoring Medi-Cal TCM provider agency capacity and availability.

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- Planning and developing TCM programs and policies, including:
  - ❑ Planning to increase TCM system capacity and close gaps;
  - ❑ Coordinating between agencies to improve TCM service delivery;
  - ❑ Developing policies and protocols for TCM; and
  - ❑ Developing TCM resource directories.
  
- Incurring county overhead costs, including:
  - ❑ Operating expenses and equipment;
  - ❑ Accounting;
  - ❑ Budgets;
  - ❑ Personnel;
  - ❑ Business services;
  - ❑ Clerical support;
  - ❑ Management; and
  - ❑ County indirect costs from the Indirect Costs Rate Plan.
  
- Coordinating TCM data systems and claiming, including:
  - ❑ Entering Medi-Cal data from the Encounter Log into the data collection system;
  - ❑ Reconciling ineligible TCM Medi-Cal encounters;
  - ❑ Maintaining and analyzing Medi-Cal TCM management information system.

## INSTRUCTIONS FOR COMPLETING THE TARGETED CASE MANAGEMENT COST REPORT

The annual TCM cost report reflects the allowable direct and indirect costs of providing TCM services. A separate TCM cost report must be submitted by the LGA to DHS for each program under which the LGA elects to participate, as defined in the California State Plan or State Plan Amendment (SPA). Each SPA defines a distinct target population that may receive case management services, i.e., Public Health, Outpatient Clinics, Public Guardian/Conservator, Linkages, Adult Probation, and Community.

The information in the annual TCM cost report is used to determine the reimbursement rate for the current fiscal year using reported costs and encounter data from the prior fiscal year. A per-encounter reimbursement rate is calculated by dividing the reported TCM costs by the total number of all Medi-Cal and non-Medi-Cal encounters in the prior fiscal year. LGAs participating in the TCM program are subject to a Cap. The Cap is the product of the projected number of Medi-Cal encounters for the current fiscal year multiplied by the billable rate per encounter developed from the costs of the prior fiscal year.

The TCM cost report is comprised of the following:

- **Worksheet A.** This Worksheet contains the reported TCM and non-TCM costs (lines 1 through 7; columns 1, 2, and 3) and applies the reclassifications based on the annual time survey results from Worksheet C (lines 1 through 7, columns 4 and 5) and the adjustment to expenses from Worksheet D (lines 1 through 7, columns 6 and 7). Worksheet A also includes the TCM rate calculations (lines 8 through 22, column 1).
- **Worksheet B.** This Worksheet contains all TCM-related revenue adjustments. These adjustments are included in the TCM rate calculation under line 18, column 1, of Worksheet A.
- **Worksheet C.** This Worksheet contains the reclassifications based on the annual time survey cost center (lines 1 through 7). These reclassifications are included in column 4 on Worksheet A. Worksheet C also contains the known cost increases (such as approved employee salary increases) included in the TCM rate calculation (line 17, column 1, of Worksheet A).
- **Worksheet D.** This Worksheet contains an outline of the adjustment to expenses. These adjustments are included in column 6 (lines 1 through 7) of Worksheet A.
- **Certification Form.** The completed cost report must be signed and dated by an appropriate LGA representative, such as a Chief Financial Officer or the TCM Program Administrator, before submitting the report to DHS.

The following certification statement will precede the signature line of the cost report:

**TARGETED CASE MANAGEMENT COST REPORT**

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I certify under penalty of perjury that the information provided in this cost report is true and correct, based on actual costs of providing targeted case management (TCM) services pursuant to Welfare and Institutions Code, Section 14132.44 (f), and California Code of Regulations, Section 51535.7. I also certify that the costs contained in this cost report have not previously been nor will subsequently be used for federal match in this or any other program. I have received notice that this information is to be used to establish a TCM rate that will be used as a basis to claim for federal funds and that knowing misrepresentation of the costs contained in this cost report may constitute violation of the Federal False Claims Act.

The TCM cost report for the prior fiscal year must be submitted to DHS by November 1 of each year. By November 1 of each year, the annual TCM cost report and all supporting documentation must be submitted with an official postmark or a date-marked envelope delivered by an express mail carrier (e.g., UPS, FedEx). The completed cost report must be mailed to:

<b>For Regular Mail:</b>	<b>For Overnight Mail (UPS, Fed Ex, etc.)</b>
<b>Department of Health Services Medi-Cal Benefits Branch Local &amp; Schools Services Unit Attn: Elizabeth Touhey 1501 Capitol Avenue, MS 4603 P.O. Box 942732 Sacramento, CA 94234-7320</b>	<b>Department of Health Services Medi-Cal Benefits Branch Local &amp; Schools Services Unit Attn: Elizabeth Touhey 1501 Capitol Avenue, Ste. 4001 Sacramento, CA 95814 If phone number required: (916) 552-9797</b>

When submitting the annual TCM cost report, please ensure that the following information and documentation is also submitted to avoid delays in the DHS review and approval process.

1. **Working Trial Balance.** This document reconciles the general ledger to the annual TCM cost report.
2. **General Ledger Account Grouping Schedule.** This schedule must show what accounts comprise each line of the TCM cost report.
3. **Copy of your Board-Approved Final Budget for the current year.** This document must be the approved County (or City) auditor controller actual expenses for the prior fiscal year. This document must reconcile to the TCM cost report and is additional support for the working trial balance.
4. **Working papers supporting Worksheet A adjustments.** Working papers must justify any adjustment to the TCM cost report, e.g., reclassification of costs based on time survey results, revenue adjustments, etc.

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5. **Copy of contracts with non-LGA providers of TCM services.** Contract costs related to TCM services must be disclosed in the TCM cost report. Working papers justifying how the contract costs are reported must also be submitted with the TCM cost report.
6. **Copy of the LGA's organizational chart.** This organizational chart must identify the LGA and the reporting relationship of organizational units providing TCM services.
7. **Method and rationale for projecting the Medi-Cal encounters.** Medi-Cal encounters will be based on projections for the current fiscal year. Medi-Cal encounters reported in subsequent TCM cost reports will be based on actual figures, as determined from the LGA encounter logs.

This is not an all-inclusive list, and DHS reserves the right to request additional documentation to support your TCM reported costs. Failure to submit any of the documentation specified above, or additional documentation requested by DHS, may delay the review of your annual TCM cost report and the required approval of your TCM encounter rate.

The header information on each Worksheet (including all schedules/supporting documentation) must be completed, i.e., county/city, program name, and the reporting period. The reporting period must coincide with the cost-reporting fiscal period, and not the current rate-setting period. For example, the TCM cost report submitted by November 1, 2003, must reflect the cost reporting period of July 1, 2002, to June 30, 2003.

**TARGETED CASE MANAGEMENT (TCM)  
ANNUAL COST REPORT**

**LGA** \_\_\_\_\_

**Target Population** \_\_\_\_\_

**Reporting Period: From** \_\_\_\_\_

**To** \_\_\_\_\_

I certify under penalty of perjury the information provided in this cost report is true and correct, based on actual costs of providing targeted case management (TCM) services pursuant to Welfare and Institutions Code Section **14132.44 (f)** and California Code of Regulations Section **51535.7**. I also certify that the costs contained in this cost report have not previously been nor will subsequently be used for federal match in this or any other program. I have received notice that this information is to be used to establish a TCM rate that will be used as a basis to claim for federal funds and that knowing misrepresentation of the costs contained in this cost report may constitute violation of the Federal False Claims Act.

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

## **ADDENDUM TO THE TARGETED CASE MANAGEMENT (TCM) COST REPORT INSTRUCTIONS**

### **GENERAL COST REPORT QUESTIONS**

**QUESTION 1: What is a working trial balance?**

**ANSWER:** A working trial balance is a list of accounts in a ledger kept by a double entry, with the debit and credit balances shown in separate columns. When totals of the debit and credit columns are equal, the ledger from which data are taken is said to be “in balance.” The working trial balance is the transitional document that reconciles the original books of entry, (e.g., general ledger) to the TCM cost report. The working trial balance is sometimes referred to as a budget status report.

**QUESTION 2: What are a general ledger and the general ledger account grouping schedule?**

**ANSWER:** The general ledger is a group or summary of accounts that record the financial transactions of a governmental unit or other organization. The general ledger account grouping schedule identifies which general ledger accounts comprise each TCM cost report line. The general ledger account grouping schedule is sometimes referred to as the departmental budget account grouping schedule.

**QUESTION 3: What is the basis of accounting for the annual cost report?**

**ANSWER:** The term basis of accounting refers to the timing and recognition (recording) of revenues and expenditures or expenses. The annual cost report should be completed on an accrual basis. The revenue realization principle and the matching principle are the essence of the accrual basis of accounting. Under cash basis accounting, revenue is recorded only when received in cash, and expenses are recorded only when paid in cash. In contrast, accrual basis accounting requires the recognition of revenue earned (according to the revenue realization principle) and the recognition of expenditures when incurred (according to the matching principle).

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**QUESTION 4: How are prior fiscal year transactions reconciled when actual costs/revenues for the cost report period are greater or less than budgeted?**

**ANSWER:** The cost report identifies the prior fiscal year TCM costs, and the Medi-Cal and non-Medi-Cal encounters. From this historical cost data, the TCM encounter rate is established for the current fiscal year. The TCM rate period will always lag the cost report period by 12 months, and therefore, the actual costs/revenues of the two periods might not equal each other.

**QUESTION 5: How is a budget unit defined?**

**ANSWER:** The budget unit is considered the organization within the LGA with costs segregated to the unit. The budget unit varies depending on the organizational configuration and the cost reporting system employed by the LGA. The budget unit is **the smallest organizational unit** representing the costs of all employees meeting the TCM Case Manager qualifications, as defined in the appropriate State Plan Amendment. In some LGAs, the budget unit may be referred to as the departmental budget, or a subdivision of the departmental budget.

**QUESTION 6: What is the difference between “Contractor TCM Costs Specific” and “Contractor TCM Costs Non-Specific”?**

**ANSWER:** “Contractor TCM Costs Specific” is when an exact amount attributable to TCM services is known and is not adjusted based on the time survey results.

“Contractor TCM Costs Non-Specific” is when a contractor has a contract with the LGA but the amount of time has not been predetermined. Therefore, the costs of providing TCM services must be established through the TCM time survey process.

**QUESTION 7: On Worksheet A, should the total salaries and benefits for all employee classifications that meet the TCM Case Manager qualifications be included on line 1, column 1?**

**ANSWER:** This must be decided by each local LGA’s accounting department and based on how their cost centers are organized. For example, if the salaries for all Public Health Nurses (PHN) are in one account or cost center, whether or not they’re providing TCM services, every PHN will complete a TCM time survey, and all of their salaries will be posted on the cost report on line 1, column 1 (Worksheet A).

## TARGETED CASE MANAGEMENT COST REPORT

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If a separate cost center is established specifically for PHNs who are providing TCM services, only their salaries would be entered on line 1, column 1 of the cost report. The PHNs whose costs are reported on line 1 column 1 of the cost report must complete the time survey, however, the salaries of all of the other PHNs who are not involved in TCM nor reported on line 1, column 1 of the cost report, would be posted on line 5, column 1, Non-TCM Costs.

**QUESTION 8: On Worksheet A, should the salaries and benefits of support persons who were time surveyed with Case Managers be reported on line 1, column 1?**

**ANSWER:** Yes. Case managers, supervisors, and support persons to case managers complete the same time survey form. In the header of the form, they must indicate which category in which they belong. Moreover, the salaries and benefits allocated to these employees must be included on line 1, column 1 of Worksheet A.

**QUESTION 9: On Worksheet A, what are the costs that are to be included on line 1, column 2?**

**ANSWER:** Line 1, column 2 of Worksheet A is the TCM "All Other Cost" category. These costs include everything except the time-surveyed employee's "Salaries and Employee Benefits" reported on line 1, column 1. Examples of allowable "All Other Costs" include, but are not limited to, space rental, travel, and supplies.

**QUESTION 10: On Worksheet A, how do we report costs not allocated to the time survey?**

**ANSWER:** Costs not allocated to the time survey, such as the cost of setting up the TCM Claims Processing system, are reported on Worksheet D, "TCM Rate Development Calculation Adjustments to Expenses" and reported on Worksheet A, column 6. Proper documentation must be submitted to DHS and retained by the LGA to support the claim amounts reported on Worksheet D.

**QUESTION 11: On Worksheet A, what is an example of the appropriate use on Worksheet A, of column 4 to "reclassify salary and benefit costs"?**

**ANSWER:** Column 4 of Worksheet A reclassifies the reported salary and benefit costs based on the results of the annual "Program Time Survey for Case Managers." Refer to the attached TCM cost report Example, for an illustration of this reclassification.

**QUESTION 12: On Worksheet A, how do we account for TCM encounters with clients enrolled in categorical programs?**

**ANSWER:** Jurisdictions that have categorical programs, such as Comprehensive Perinatal Services (CPS), Child Health and Disability Prevention (CHDP), and Maternal and Child Health (MCH) programs, in a totally segregated budget unit, and can demonstrate this through an organizational chart, must not include the TCM encounter count or the cost of those categorical programs in their annual cost report.

Whereas, LGAs that do not have segregated budget units for categorical programs, and coded time spent on clients enrolled in categorical programs to TCM on their time surveys, should deduct the categorical program encounters (derived from the encounter logs) from total encounters. The result of this calculation is entered on line 14, column 1 of Worksheet A. Please refer to Policy and Procedure Letter 96-005, dated May 3, 1996.

**QUESTION 13: On Worksheet B, how is the proportion of revenue that should be allocated to TCM services determined if the revenue sources from a categorical program such as CPSP already include a service component as well as case management?**

**ANSWER:** Each LGA must not only identify all funding sources, but also, segregate the proportion of the revenue source that includes a case management component. Only the case management component should be offset on Worksheet B. Under this circumstance, each LGA will have the flexibility to develop an appropriate methodology to segregate the costs associated with the case management component. This methodology and subsequent calculations must be documented and retained by the LGA to support the TCM cost report.

**QUESTION 14: On the TCM cost report, how do we report the TCM reimbursement for this fiscal year?**

**ANSWER:** The TCM reimbursement for the current fiscal year does not impact the preparation or the costs contained in the prior fiscal year cost report. However, when allowable TCM costs in the current fiscal year exceeds Medi-Cal revenues, (e.g., because of the annual TCM Cap for the fiscal year), higher costs during the current fiscal year will be recognized in the TCM rate setting methodology for the following fiscal year.