

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706



Division of Medicaid & Children's Health Operations

October 28, 2015

Mari Cantwell
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dear Ms. Cantwell:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has completed its review of the backcasting methodology for reconciliation for claiming prior period of federal reimbursement to Local Government Agencies (LGAs) and Local Educational Consortia (LECs) and their associated Local Education Agencies (LEAs) participating in the School Based Medi-Cal Administrative Activities (SMAA) program, as revised and submitted on September 9, 2015. This methodology will be applied to all SMAA claims for the following fiscal years (FY) (2012/13, 2013/14, and the first two quarters of 2014/2015), as well as all deferred SMAA invoices requiring backcasting under the deferral resolution agreement described in CMS' October 7, 2014 letter. This backcasting methodology is approved for claiming prior period applicable School Based Medi-Cal administrative activities expenditures only, subject to the conditions stipulated below.

The SMAA backcasting methodology was submitted by the State pursuant to CMS' conditional approval letter for the School Based Medi-Cal Administrative Activities Implementation Plan and new time survey methodology originally submitted on October 4, 2012 along with additional information and revisions to the program submitted through September 9, 2015.

The conditions of this approval are follows:

- 1) The approved methodology will apply 4 quarters of prospective time study results to the prior period costs incurred for purposes of determining allowable costs. DHCS must report all adjusted claims resulting from this backcasting methodology within 18 months of the data becoming available. The modified backcasting proposal will utilize Quarter 3 and Quarter 4 of SFY 2014/15, and Quarter 1 and Quarter 2 of SFY 2015/16.

The RMTS data collected in the three, non-summer quarters (Quarter 3 and Quarter 4 of SFY 2014/15 and Quarter 2 of SFY 2015/16) will be averaged and used to compute the reimbursement for Quarter 1 of SFY 2015/16. Prospectively, the average for Quarter 1

(July – September) of each SFY will be computed using the RMTS data from the three prior quarters as defined in the approved Implementation Plan and Quarter 1 of each SFY will be consistently computed moving forward. As such, DHCS will use Quarter 2, 3 and 4 of SFY 2015/16 to compute the Q1 of SFY 2016/17.

- 2) DHCS will provide a roll-up summary of the backcasting methodology data for CMS to evaluate the state-wide results to review for reasonableness of this data.
- 3) DHCS will provide "quarterly management reports" as required in your conditional approval letter from CMS.
- 4) All prospective quarterly claims for implementation of the CMS-approved time study methodology will be in accordance with the May 15, 2015 conditional approval letter that supersedes the June 27, 2014 approval.
- 5) DHCS states all claiming units that will rejoin the program after the initial quarter of RMTS (SFY 14/15 Q3) will have been identified as non-continuing prior to RMTS implementation. As such, any invoices that would have been submitted by these claiming units for costs incurred after June 30, 2012 will be backcast based on the RMTS percentages of the administrative unit under which these claiming units previously claimed prior to leaving the program. Prospectively, claiming units will submit claims under the regular claims submission process using the RMTS data from their current administrative unit. Therefore, claiming units can rejoin the SMAA program after the initial RMTS quarter (SFY 14/15 Q3).
- 6) DHCS stipulates there are currently eight Administrative Units that will generate random moments in California. These include three regional consortia (2 LEC, 1 LGA) and five stand-alone regional administrative units (4 LEC, 1 LGA). The consortia include:
 - Consortia # 1 - LEC Regions 1, 2, and 7
 - Consortia #2 - LEC Regions 3, 4, 5, and 6
 - Consortia #3 - LGA Regions Alameda, Riverside, Sacramento, San Francisco, Tulare, San Luis Obispo, and City of Pasadena.

The stand-alone regions/counties include:

- LEC Region 8
 - LEC Region 9
 - LEC Region 10
 - LEC Region 11
 - San Diego LGA
- 7) DHCS agrees that all reported expenditures must be reasonable, allowable, and allocable, and must be adjusted, if necessary, to comport with the guidelines specified in the final approved time study.

- 8) DHCS agrees that claims for all prior period quarters must meet the timeliness requirements of 45 CPR 95.7.
- 9) DHCS understands that CMS reserves the right to review or audit any costs claimed under this methodology.
- 10) DHCS agrees to submit any changes to the approved backcasting methodology to CMS for review and approval prior to implementation.
- 11) DHCS agrees to provide monitoring of the backcasting claims and detail their oversight in the quarterly reports to CMS.

We appreciate the hard work of all of your staff in the development of this new plan and the subsequent backcasting methodology.

If you have any questions about this approval letter or the additional source documents requested prior to implementation, please contact Albert Tadakuma at (415) 744-3564 or at his email address: Albert.Tadakuma@cms.hhs.gov.

Sincerely,

/s/

Henrietta Sam-Louie
Acting Associate Regional Administrator
Division of Medicaid & Children's Health
Operations

cc:

Michelle Kristoff, Chief, Administrative Claiming Local & School Services Branch, Safety Net Financing Division, P.O. Box 997436, Sacramento, CA 95899-7436