Targeted Case Management (TCM)

Cost Report Instruction Manual

Dept. of Health Care Services
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Acronyms and Abbreviations

Throughout the TCM Cost Report and instructions, a number of acronyms and abbreviations are used. For your convenience, commonly used acronyms and abbreviations are summarized below.

AAA	Area Agencies on Aging
ADMIN	Administrative
A&I	Audits & Investigations (Division of DHCS)
BU	Budget Unit
CBO	Community-Based Organization
CCR	California Code of Regulations
CDA	California Department of Aging
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMAA	County Based Medi-Cal Administrative Activities
CMS	Centers for Medicare & Medicaid Services
CPE	Certified Public Expenditures
CR	Cost Report
CWCAP	Countywide Cost Allocation Plan
DHCS	Department of Health Care Services
ENC	Encounter
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
IMTEPR	Interim Medi-Cal TCM Encounter Payment Rate Calculation
JPA	Joint Powers Authority
LGA	Local Governmental Agency
LPE	Local Public Entity
MAA	Medi-Cal Administrative Activities
MAC	Medi-Cal Administrative Claiming Agreement
Non-TCM	Non-Targeted Case Management
OMB A-87	Office of Management and Budgets Circular A-87
PPL	Policy & Procedure Letter
PTO	Paid Time Off
SPA	State Plan Amendment
TCM	Targeted Case Management
TS	Time Survey. CMS approved time survey methodology for California County
W&I	Welfare & Institutions Code
WS	Worksheet

General Information

Overview

Pursuant to Welfare and Institutions Code, Section 14132.44, annually, each TCM eligible Local Governmental Agency (LGA) must complete and submit to DHCS a Cost Report for the fiscal period (ending June 30) providing TCM services. The Cost Report must be prepared in a format specified by DHCS and submitted by November 1 of each year. The State Plan Amendment, TCM SPA 10-010, Attachment 4.19-B (Effective Date October 16, 2010) Section A 2 also states the following:

> Cost Report. Each eligible LGA will complete an annual cost report in the format approved by CMS and as required by the Department, which will include a certification that the costs included in the Cost Report are public expenditures that have been made and that the public expenditures are eligible for FFP pursuant to 42 C.F.R. 433.51. Cost reports are to be filed with the Department by eligible LGAs no later than November 1 after the close of the State fiscal year (FY).

The required single Cost Report completed by the LGA is for TCM services provided to all targeted groups listed in the TCM service SPAs. DHCS TCM website has information related to 5 service SPAs in defining the TCM targeted groups.

Only one Cost Report is required to be submitted for TCM services provided by each LGA. This Cost Report must include all LGA service providers, including LGA Budget Units (BU) and LGA subcontractors for the provisions of TCM services. The report must be e-mailed no later than November 1.

Each LGA shall file a TCM Cost Report that includes all of the BUs and subcontractors providing TCM services for the service period the Cost Report covers. If the length of actual operations for any BU(s) or subcontractor(s) is less than the twelve-month period of the Cost Report, the information shall also be included.

Filing of the Cost Report is mandatory and failure to do so will result in all interim payments being deemed as overpayment and may be recouped. Additionally, future payments will be placed on 100 percent withhold until the Cost Report is filed and accepted for processing.

Any manipulation to the Cost Report template format and/or formulas will deem the Cost Report null and void, and any previously reimbursed costs for that year shall be recuperated.

Purpose of Cost Report

The purpose of a Cost Report is to:

1) Determine the TCM program cost and total encounters for the service period covered by the filed Cost Report.
2) Determine the maximum TCM program Medi-Cal reimbursement (see Worksheet G, Cost Settlement Page).
3) Summarize the TCM reimbursement settlement for the service period covered by the filed Cost Report.
4) Establish a new interim rate for interim payments for the provision of TCM services until a new rate is established.

The TCM Medi-Cal Reimbursable Cost in the Cost Report (Worksheet G, Part I , line 6), reflects both direct and indirect reimbursable costs of providing TCM services as described in the Federal Office of Management and Budgets Circular A-87 (OMB A-87). OMB A-87 is the principle guidance that determines whether a particular cost is allowable or not allowable. Allowable costs must be "reasonable and necessary" for the provision of TCM services. LGAs must analyze their costs and determine they are both reasonable and necessary to provide TCM services to be deemed as allowable (see the link to OMB website in Appendix A).

The actual program costs, funding, and encounter data from the filed Cost Report will be utilized to calculate one all-inclusive interim Medi-Cal TCM encounter payment rate (IMTEPR). The calculation is shown on Worksheet G, Part III, line 8.

The State Plan Amendment (SPA) #10-010, Attachment 4.19-B, approved on December 19, 2013 (Effective Date October 16, 2010) Section B (2) states the following:

> Allowable costs will be determined in accordance with the following: (a) the reimbursement methodology for cost-based entities outlined in 42 CFR Part 413; (b) the Provider Reimbursement Manual (CMS Pub. 15-1); (c) OMB Circular A-87; (d) Medi-Cal Administrative Claiming System (MAC) Agreement; (e) California Welfare and Institutions (W&I) Code; (f) State issued policy directives, including Policy and Procedure Letters; and (g) all applicable Federal and State directives as periodically amended. These directives establish principles and standards for determining allowable costs and the methodology for allocating those expenses to the Medi-Cal program, except as expressly modified herein.

A certification statement, signed by the Financial Officer(s) or an authorized LGA signatory, must accompany the Cost Report and attest to the validity and allowability of the reported cost data.

Rounding Standards for Fractional Computations

The following rounding standards must be utilized for the cost report computations. When

performing multiple calculations, round after each calculation.

- Round to dollar:
  a. Costs
  b. Funding

- Round to 2 decimal places:
  a. Time Survey Hours
  b. Cost per Encounter

- Round to 4 decimal places:
  a. Percentages
  b. Averages

Recommended Sequence for Completing TCM Cost Report

Step	Cost Report	Instruction Manual
1	Information	Page 13
2	A	Page 15
3	A-1	Page 20
4	A-2	Page 24
5	C	Page 28
6	F	Page 29
7	D	Page 30
8	D-1	Page 36
9	E	Page 38
10	E-1	Page 41
11	G	Page 43

Preparing the TCM Cost Report

Required Documents

Essential components of the Cost Report include the materials listed below, which are located on the DHCS TCM website http://www.dhcs.ca.gov/provgovpart/Pages/TCM.aspx.

Note: Read all instructions before completing the materials.

1. The CMS approved DHCS Time Survey Methodology for CMAA and TCM Programs (**Time Survey Note:** the term "Time Survey" used throughout this entire document refers to the CMS approved Time Survey Methodology for CMAA and TCM programs).
2. DHCS Cost Report Template (**Note:** enter data only in the purple cells), which includes:
   a. Information Worksheet – Signed in blue ink by the LGA Financial Officer(s) or an authorized signatory in Part I and input LGA information in Part II.

b. Worksheet A – Salaries, benefits, and other non-labor details from general ledger, provider's reclassifications and adjustments.
c. Worksheet A-1 – Reclassify expenses reported in Worksheet A, column 1 to column 4.
d. Worksheet A-2 – Adjust expenses reported in Worksheet A.
e. Worksheet B Part I, II, III and IV – Formula-driven: Do not enter data here.
f. Worksheet C – Input hours from TCM Time Survey Result.
g. Worksheet D – Identify all funding sources that support TCM services. Identify allowable funding, eligible for Federal Matching Funds, pursuant to 42 CFR 433.51 for Medi-Cal TCM services. This schedule is only used for LGA, LPE, or JPA BUs.
h. Worksheet D-1 – Input all adjustments relating to a specific funding source listed on this worksheet that does not meet Federal and State CPE requirements.
i. Worksheet E – Identify all funding sources subcontractor(s) utilize to provide TCM services during the reporting period. Identify allowable funding, eligible for Federal Matching Funds, pursuant to 42 CFR 433.51 for Medi-Cal TCM services. This schedule is only used by non-governmental subcontractors.
j. Worksheet E-1 – Input any adjustments to a specific funding source that does not meet Federal and State CPE requirements.
k. Worksheet F – Encounter log and documents used to record TCM encounters for the reporting service period.
l. Worksheet G – Cost report summary schedule. This schedule computes total allowable TCM reimbursable costs, Medi-Cal reimbursement settlement for reporting period, and interim rate for next billing cycle.

3. Funding Certification/Attestation Statement(s) – Signed (blue ink) by the Financial Officer(s) or an authorized signatory.
   a. For each Cost Report that has non-LGA Local Public Entity (LPE) service provider, include the following statement:
      "Non-LGA Local Public Entity Funding Certification and Local Governmental Agency Attestation Statements for Targeted Case Management Services provided by The Non-LGA provider(s)."

Prior to completing the Cost Report, it is highly recommended that the Cost Report Preparer gather all documents, including, but not limited to, the list below for each Budget Unit and Subcontractor, if applicable:

1. Detailed organizational chart illustrating the defined BUs in filed Cost Report. Include a complete list of employees for each BU and detailed job descriptions.
2. A complete and comprehensive narrative describing the types of programs and services included in the TCM Budget Unit.
3. General Ledger Grouping Schedule of each BU defined on the Cost Report for the reporting service period.
4. Supporting documentation for all reclassifications and adjustments reported on Cost Report Worksheet A-1, A-2, D-1, and E-1.
5. Financial statements that summarize the total cost and funding in the filed Cost Report.

6. Salaries and benefits by BUs (payroll warrant detail and other documented cost allocation plans) for the reporting service period.
7. Vendor invoices for services and supplies purchased during the reporting service period (general ledger and other documented cost allocation plans).
8. Copies of TCM Service Contracts for non-LGA TCM service providers (CBO/LPE).
9. Copies of TCM Funding Contracts (Interagency Agreements/Memorandums of Understanding) for which funding may be received for TCM related services.
10. Signed CMAA/TCM Time Survey forms for time surveyed TCM participants.
11. All other necessary supporting documents for data reported in TCM Cost Report.

Note: Maintain all cost report filing documentation in an audit file for future audit and review of the filed Cost Report.

Sequence of Assembly

Cost Report

Follow the table listed below to assemble the Cost Report prior to submission. Do not include blank worksheet(s) in the assembly of the Cost Report. Cost Report worksheets are assembled in alpha-numeric sequence beginning with the "Information Worksheet", followed by A, B, C, etc.

Cost Report Worksheet	FilingRequirement
Information	Must include Part I and Part II
A	Must include all 3 pages
A-1	Include pages by BU order, if applicable
A-2	Include pages by BU order, if applicable
B	Must include all 4 Parts of this worksheet
C	Must be included all
D	Include pages by BU order, if applicable
D-1	Include pages by BU order, if applicable
E	Include pages by BU order, if applicable
E-1	Include pages by BU order, if applicable
F	Must include Part I and Part II
G	Must include all 3 Parts of this worksheet

Printing a Hardcopy Cost Report

Use the print menu located in the last tab of the cost report template to print the hardcopy.

Submitting the TCM Cost Report

1. Compose a separate cover letter that includes the explanations of any unusual features and any major changes in the Cost Report from the previous year.
2. Follow the electronic naming instructions on page 10 of this document.
3. E-mail your DHCS TCM Cost Report Template no later than November 1 to: dhsaitcm@dhcs.ca.gov.

Table of Contents for the TCM Cost Report

A. Cover Letter on LGA Letterhead
B. TCM Cost Report Package
   1. CPE Certification and LGA Attestation Statement(s)
   2. LGA TCM Cost Report Certification Statement
   3. TCM Cost Report (Excel version)
   4. TCM Cost Report, Signed (Scanned, PDF version)

Audit File

Once your Cost Report is complete and has been submitted to DHCS, the designated contact preparing the TCM Cost Report should create an audit file. (**Note**: Preparing an audit file is not a requirement; however, DHCS highly recommends that an audit file be maintained for future audit and review of the filed cost report. Failure to submit supporting documentation during audit/review results in negative adjustments) All documents related to the TCM Cost Report should be stored where they are accessible to the person responsible for the TCM program within your entity. DHCS will contact the LGA's MAA/TCM Coordinator to request information regarding the Cost Report or to arrange an audit.

Naming Convention of Electronic Cost Report Submission

- Fiscal Year of a Service Period
- County Name
- Cost Report (CR)

Please follow the example below when naming the electronic files for the submission of your County's Cost Report.

Example of naming convention for Santa Cruz County TCM Cost Report covering the State Fiscal Year 07/01/2011 thru 06/30/2012:

2012 Santa Cruz CR.xlsm

All Electronic Cost Report submissions shall be complete and e-mailed to the Audits and Investigations Division (A&I) at: dhsaitcm@dhcs.ca.gov.

Additional Information

For additional information on how to complete your TCM Cost Report or for any questions regarding the TCM program, please consult your assigned DHCS TCM program analyst or visit the DHCS website:

http://www.dhcs.ca.gov/provgovpart/Pages/TCM.aspx

Note: Other resources are listed at the end of this document.

If you are **not** the TCM Coordinator for your LGA, please contact your LGA TCM Coordinator before contacting DHCS. Some members of the LGA Consortium are also available for consultation and assistance in completing your TCM Cost Report.

If you have additional questions/concerns, e-mail the TCM program at: dhcs-tcm@dhcs.ca.gov.

Cost Report Template Instruction

Information Worksheet

Part I – Provider Cost Report Certification

The completed Cost Report must be signed and dated by an authorized LGA representative, such as a Chief Financial Officer, before submitting to DHCS.

Part II – Provider Identification

The worksheet identifies an LGA's TCM service providers. Financial data of all units of services are reported in the following Cost Report worksheets. Cells highlighted in purple are to be completed with the required information noted:

- LGA Name
- Reporting Period (ex. July 1, 2011 through June 30, 2012)
- LGA Subdivision and/or Name of a Governmental TCM Subcontractor (if applicable)
- Total Number of Non-governmental TCM Subcontractor(s) (if applicable)
- Name of each private Non-governmental TCM Subcontractor (if applicable)

Defining the Budget Unit (BU)

For TCM purposes, a BU is defined as the budgetary/organizational unit identifiable on the LGA organization chart and general ledger that provides TCM and other Non-TCM services by staff within the Unit. The BU is to only include 100% labor costs of any staff within the Unit, as well as non-labor costs incurred for providing all services. Total funding that supports this defined BU shall be separately identifiable in the general ledger. The TCM BU shall also be readily identifiable on the LGA organizational chart and LGA accounting structure.

The guiding principle of OMB A-87 regarding eligibility of Federal reimbursement requires costs to be "reasonable and necessary" for the provision of TCM services. Identifying the TCM BU ensures that the costs identified and allocated by the Cost Report template formulas are reasonable for providing TCM services.

Reimbursements for TCM services are based on the certified public expenditures for the provision of TCM services as disclosed in the LGA's annual Cost Report. This report may include costs for multiple service providers. The multiple service providers may include BUs within an LGA's organizational structure and/or an LGA subcontractor(s) for the provisions of TCM services.

Line and Column Descriptions

Line 1 – Enter LGA name and the LGA National Provider Identifier (NPI).

Line 2 – Enter Reporting Period. A Reporting Period is defined as a TCM service period that a Cost Report covers. For example, the TCM Cost Report submitted by November 1, 2014 reflects the service period of July 1, 2013 to June 30, 2014 (FY 2013/2014).

Column 1 – Enter LGA Subdivision or LGA Governmental Subcontractor Name by BU. A Local Public Entity (LPE) is defined as a "'public agency'…which means a district, public authority, public agency, and any other public subdivision or public corporation in the state".

Column 2 – Enter the sequential numbering for each subcontractor. This column reflects the number of subcontractors within a BU. If the BU has no contractor, leave the cells blank. If the BU 1 has contractor(s), input the contractor number(s) in the BU 1 section (line 3 through line 7).

Column 3 - Enter the private non-governmental subcontractor name. Under certain conditions, an LGA may contract with a private non-governmental entity to provide TCM services. Input the subcontractor name(s) for that BU. No input is necessary if there is no private non-governmental subcontractor.

For example: ABC LGA has one BU - Public Health Department The Department contracts with a XYZ Contractor. Enter the data in the following format:

Line No.	Description	LGA Subdivision and/or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health Department	Contractor	1	XYZ Contractor

If a BU has more than one non-governmental subcontractor, enter the additional contractor number(s) and name(s) for that BU. Enter the data in the following format:

Line No.	Description	LGA Subdivision and/or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health Department	Contractor	1	XYZ Contractor
4			Contractor	2	AAA Contractor

Worksheet A – Total Expenses per Governmental Entity – Salaries, Benefits, and Other Expenses

Worksheet A identifies the cost incurred by a governmental entity in providing TCM services. The governmental entity can be an LGA, or an LGA governmental subcontractor, such as a local city government. Each TCM reporting unit is identified as a BU in the Cost Report Information Worksheet, Part II, Provider Identification section. Do not report expenses for LGA's non-governmental subcontractors on Worksheets A, A-1, and A-2.

On Worksheet A, record the trial balance of expense accounts from your accounting books and records for a defined BU. Additionally Worksheet A provides for any necessary reclassifications and adjustments to certain expenses for the provision of TCM services.

Line Descriptions

For each BU, the total cost is broken down into TCM, Non-TCM, General & Administration, and Indirect lines to facilitate the determination of the TCM service cost.

TCM Line -- This line is for labor and non-labor costs related to the provision of TCM services. Salaries and Benefits expenses related to TCM participants within the defined BU who time surveyed during the reporting period are reported in Column 1 and Column 2 of this line.

Non-TCM Line -- This line is for labor and non-labor costs not related to the provision of TCM services. Salaries and Benefit expenses related to non-TCM participants within the defined BU are reported in Column 1 and Column 2 of this line.

General & Admin Line -- This line represents the cost of activities that are necessary and supports the overall operation of the TCM services as a whole within the defined BU. Costs reported on this line will be allocated to TCM by using direct program costs as an allocation basis for the provision of TCM services. Salaries and Benefit expenses related to the supporting staff of the defined BU are reported in Column 1 and Column 2 of this line.

Indirect Line--This line represents any cost that cannot be directly identified with a single cost objective. These costs can be classified into cost pools that are either an overhead cost pool, or the general administrative expense cost pool. These pools are then allocated to final cost objectives using an indirect cost allocation basis that best links the cost pool to the cost objectives.

Reclassification(s) shall be proposed to move expense(s) from the Indirect line to General & Admin line if the expense is more properly allocated by a direct program cost allocation basis rather than direct labor cost. See Worksheet A-1 for detail instructions. The costs that remain in Column 20 of the Indirect line will be allocated to TCM in Worksheet B by using direct labor cost as an allocation basis for the provision of TCM services.

General & Admin. and Indirect cost lines are considered to be indirect costs that are subject to cost allocation in order to recognize the total TCM program cost of a defined TCM BU. Make sure to reclassify and adjust the reported expenses via Worksheet A-1 and Worksheet A-2 to group the cost on a particular cost line on Worksheet A for proper cost determination.

Column Descriptions

Salaries and Benefits (Worksheet A Columns 1 and 2)

The following are two ways to determine the BU salaries and benefit costs to place in columns 1 and 2 by line description and primary function:

1) If the general ledger does separate the BU salaries and benefits by line description and primary function for TCM, Non-TCM, and General & Admin, then enter those costs on the applicable line and column.
2) If the general ledger does not break out the BU salaries by line description and primary function for TCM, Non-TCM, and General & Admin, the breakout will need to be determined. Below is an example of how to determine the salaries and benefits:

Using the detailed payroll records for the BU and fiscal period, prepare a list of each employee's salaries and benefits for the BU. The payroll amounts will need to be adjusted in order to agree with the total general ledger salaries and benefits. Next, the primary function of each employee will need to be determined.

The primary function of the employee within the BU is used to determine and classify each employee as one of the three types of staff listed below:

1) TCM Staff – Staff who time-surveyed to TCM, such as TCM case managers, the direct supervisors and the direct support staff.
2) Non-TCM Staff – Staff, within the BU that provides TCM services, who neither provides nor supports the provision of TCM services. These may be staff that provide direct medical care, transportation, pharmacy, MAA, or any other services that are not TCM. These staff also include case managers' direct supervisors and direct support staff who did not time survey and were present during the time of the time survey period (Refer to PPL 06-014).
3) ADMIN Staff – Managerial and administrative staff that support the management, personnel, and budget needs of the TCM BU. Their costs are part of the BU.

Once an employee's primary function is determined, report the salaries and benefits data in the associated line. Please be sure to maintain documents in the suggested audit file to substantiate the salaries and benefit expenses reported in Columns 1 and 2 of Worksheet A.

For TCM services provided by TCM participants that are not part of the BU, **do not** expand the size of the BU to include them in columns 1 and 2 costs. Costs outside of the BU are included in the instructions for Worksheet A-2, Provider's Adjustments.

Other (Worksheet A Column 3)

No costs need to be reported on TCM, Non-TCM and General & Admin lines for this column. This column is used to report non-salary and benefit expenses recorded in the general ledger of the defined BU. Costs reported in this column will be further classified into different cost objectives by using Worksheet A-1 for proposing reclassifications and by using Worksheet A-2 for adjustments.

Other Expense by Employee (Worksheet A, Columns 6, 11, and 17)

Some non-labor expenses can be directly assigned **by employee.** Worksheet A-1 has a column for reclassifying these costs from Worksheet A Column 3 Other. See Worksheet A-1 Cost Report instructions for further details. Worksheet A-2 has a similar column for adjustments.

Other Expense by Program (Worksheet A, Columns 7, 12 and 18)

Some other costs can be identified directly as 100% TCM program costs, 100% Non-TCM program costs, or 100% General & Admin costs that may or may not be further redistributed by different allocations. Use Worksheets A-1 and A-2 to reclassify costs and propose cost adjustments to properly identify these types of costs in Worksheet A, columns 7 and 12.

TCM Expense outside the BU (Worksheet A, Columns 13 and 19)

TCM Expenses outside the BU can be reported in the Cost Report if all of the following criteria are met:

1. The TCM services were provided by a non-TCM BU within a governmental entity. The non-TCM BU and the TCM BU can be identified in the same governmental entity's organization chart.
2. The cost incurred by the non-TCM BU staff was not included in the total TCM BU's general ledger.
3. The cost incurred by a non-governmental TCM subcontractor cannot be included under this cost category.

A governmental entity that reports TCM expenses outside the BU in the Cost Report must meet the following conditions:

1) The expenses were incurred by the qualified TCM staff, such as a direct TCM Case Manager, TCM Supporting Staff, and/or a direct TCM supervisor.

2) The staff outside a TCM BU who performed the TCM services during the year would be required to conduct a perpetual Time Survey following the CMS approved CMAA/TCM Time Survey Methodology.
3) The allowable TCM expenses outside the BU consist of labor costs and direct chargeable non-labor costs incurred by the qualified TCM Staff outside the TCM BU in providing TCM services. TCM direct chargeable non-labor costs are costs that can be directly assignable to the TCM program, such as the TCM Cost Report training expenses and travel expenses related to a TCM encounter.

TCM expenses outside the BU are calculated as follows:

- The labor cost is calculated by multiplying the Salaries and Benefits of outside TCM staff with the TCM percentage computed on the CMAA/TCM Time Survey.

  Labor Cost = Monthly Salaries and Benefits Expenses for TCM Staff from outside the TCM BU x Number of Months the Staff Worked as a TCM Staff x the TCM Percentage on the CMAA/TCM Time Survey

Note: The number of months must be prorated according to the actual time staff worked as TCM staff.

- Summarize the total direct chargeable non-labor costs from invoices, vouchers, and all necessary supporting documentation incurred by the outside BU TCM Staff who provide TCM activities coded on the CMAA/TCM worker log time survey. If non-labor costs incurred relate to multiple purposes, the TCM portion of the non-labor costs shall be apportioned using a reasonable allocation basis that is supported by OMB Circular A-87, and other Federal and State laws and regulations in delivering the TCM services. For example, if a county nurse visits a beneficiary, and direct patient care related services were provided in addition to the TCM services, the mileage expenses incurred for this trip shall be apportioned to TCM by utilizing time spent on TCM and other services.

TCM expenses outside of the BU are to be reported on the Cost Report Worksheet A-2 as an adjustment to expense. This cost adjustment will flow to Worksheet A, Column 13, and will be included in "Total Net Expenses" reported in Worksheet A, Column 21. Refer to Worksheet A-2 for more detailed instructions regarding this type of adjustment.

TCM expenses outside of the BU are 100% TCM program costs, which will be added to the total TCM program cost after the Worksheet B cost allocations. The total TCM program cost is reported on Worksheet B, Part IV, Column 26, "Total Net Expenses."

TCM expenses outside of the BU must be in compliance with OMB Circular A-87 for the provision of TCM services. The TCM service provider is required to maintain supporting documentation to substantiate the calculated TCM cost outside of the BU.

Instructions for Worksheet A Input

Columns 1, 2, and 3 – The costs entered in these columns are from an LGA's general ledger and records for the identified BUs. Expenses subtotaled in Line 5, Column 1 shall equal the total salaries recorded in the general ledger of BU 1. Expenses subtotaled in Line 5, Column 2 shall equal the total benefit recorded in the general ledger of this BU. Expenses subtotaled in Line 5, Column 3 equals to the total non-labor expenses in the general ledger of this BU.

Column 4 – This column is the total of Columns 1, 2 and 3. Most cells are formula-driven. Expenses subtotaled in Line 5, Column 4 equals the total expenses recorded in the general ledger of BU 1.

Columns 5 - 21 – Cells are formula-driven.

Worksheet A-1 - Provider's Reclassifications to Expenses

The purpose of Worksheet A-1 is to reclassify certain costs to effect proper allocation under cost finding. Examples of potential reclassifications are listed on the following pages. The type of costs will determine the columns used for the reclassifications.

Reclassification of Other Expense by Employee

Some non-labor expenses included on Worksheet A, Line 4, column 3, "Indirect – Other", can be assigned **by employee,** and needs to be reclassified for proper cost determination**.**

For example, the ABC LGA BU bought special binders from the Super Office Store for $200. The cost was reported as "Indirect – Other" in Worksheet A, Line 4, Column 3. If, the invoice has $100 allocated to the employee who time surveyed for TCM and the other $100 allocated to the General & Admin staff, the following reclassification shall be made on Worksheet A-1:

	Description	Other Expense by Employee	Other	Subtotal	Explanation of Reclassification
		4	6	7	8
	BU 1				
1	Indirect		($200)	($200)	Reclassify Binder Cost by Employee
2	TCM	100		100	Reclassify Binder Cost by Employee
3	General & Admin	100		100	Reclassify Binder Cost by Employee

Reclassification of Other Expense by Program

Direct Costs

Some costs may be identified as 100% TCM program costs or 100% Non-TCM program costs that will not be further redistributed. A reclassification needs to be made in Worksheet A-1 to group the cost in the proper cost category if the cost was originally reported as "Indirect – Other."

For example, if the ABC LGA BU purchased $2,000 of services from a software consultant for TCM documentation and the cost was included on Worksheet A, line 4, column 3, "Indirect – Other, then the following reclassification shall be made on Worksheet A-1:

	Description	Other Expense by Program	Other	Subtotal	Explanation of Reclassification
		5	6	7	8
	BU 1				
1	Indirect		($2,000)	($2,000)	Software Consultant, TCM Program Cost
2	TCM	2,000		2,000	Software Consultant, TCM Program Cost

Reclassification of Indirect Line Cost to General and Admin Line for Proper Cost Allocation Basis

An example of reclassifying other expenses by program is to reclassify certain costs reported on Worksheet A, Line 4, Column 3, Indirect – Other, to Worksheet A, Line 3 General and Admin, Column 7, Other Expenses by Program, to properly allocate the cost. For instance, County-Wide Allocation Costs (CWCAP) recorded in the general ledger of a defined TCM BU. The proper allocation basis for such costs on the TCM cost report is direct program costs (direct TCM labor & non-labor cost over total direct labor & non-labor cost of a BU) rather than direct labor costs (direct TCM labor cost over total direct labor cost of a BU). See illustration below:

A TCM BU provides services for Program I (TCM) and Program II. This unit only has one employee. 60% of his time was dedicated to TCM related services and the other 40% was spent in Program II. Total labor cost was $9,000. Direct non-labor TCM costs totaled $200. The indirect CWCAP costs are $800.00. All three are correctly recorded in the BU's general ledger. The proper allocation basis is direct program costs and the percentage is calculated below:

	Direct Labor	Direct Non-labor	Total Direct Cost	Percentage to Total
Program I - TCM	5,400 = 9,000 x 60%	200	5,600	60.87%
Program II	3,600 = 9,000 x 40%	0	3,600	39.13%
Total	9,000	200	9,200	100%

Indirect CWCAP Cost Allocated to Two Programs in this BU:

	Program I – TCM	Program II
Direct Labor	5,400	3600
Direct Non-labor	200	0
Indirect CWCAP Cost Allocation	800 x 60.87% = 487	800 x 39.13% = 313
Total Program Cost	6,087	3,913

A reclassification shall be made in order to reclassify $800 CWCAP expenses from Line 4, Column 3, Indirect - Other to Line 3, Column 7, Other Expense by Program. In doing so, the $800 reclassified cost will be redistributed to TCM and non-TCM based on direct program costs as an allocation basis.

The remaining cost on Line 4, Column 3, Indirect-Other after the reclassification will eventually be allocated based on direct labor costs reported in Worksheet A, column 16, such as Workers' Compensation expenses recorded in the general ledger of the BU. Please be sure to include all supporting documentation in the suggested audit file to substantiate that the proper allocation basis for the remaining expenses on line 4 is direct labor costs. And, such treatment is in compliance with laws and regulations for the provision of TCM services.

After Worksheet A-1 Reclassifications are completed for each BU, they will be carried over to Worksheet A in order to correspond with the lines and columns for that BU.

Instructions for Worksheet A-1 Input

For illustration of the "Reclassification of Other Expenses by Employee", please refer to page 20 of this Instruction Manual:

1. Select a BU sheet of worksheet A-1 that you would like to input a reclassification.
2. Move cursor to line 1 of Worksheet A-1. Select Indirect as line description. Go to Column 6, Other, and input -200. Put a brief explanation in Column 8.
3. Mover cursor to line 2 of Worksheet A-1. Select TCM as line description. Go to Column 4, Other Expense by Employee, input 100.
4. Mover cursor to line 3 of Worksheet A-1. Select General & Admin as line description. Go to Column 4, Other Expense by Employee, input 100. Check whether the inputs bring the subtotal to $0. If yes, the input is completed.

Make sure the Worksheet A-1 reclassifications match with Worksheet A columns 5 through 8. The reclassification subtotal on Worksheet A, Column 9 must ALWAYS equal $0.

Worksheet A-2 - Provider's Adjustments

The purpose of Worksheet A-2 is for the LGA to enter expense adjustments to reflect actual costs for providing TCM services. The LGA is responsible for properly recording allowable and non-allowable costs in the TCM Cost Report. Page 5 of the Cost Report instruction lists the Federal and state resources (OMB Circular A-87, Federal and State Laws and Regulations, etc.) for determining allowable cost. The following is a limited list of the types of adjustments required:

1) Those needed to adjust expenses to reflect actual expense incurred
2) Those items which constitute recovery of expense through sales, charges, fees, etc.
3) Those items needed to adjust expenses in accordance with the Medicare principles of reimbursement regarding non-allowable expenses
4) Those items which are provided separately in the cost apportionment process, such as including TCM program cost from outside of the BU

Examples for Common Adjustments

Adjustment for Eliminating LGA Funding Payment to TCM Subcontractors

An LGA can contract with public and private entities (TCM providers) to provide TCM services on its behalf. To avoid the duplication of cost recognition, funding payments to LGA subcontractors for the provision of TCM services that were recorded as expenses in an LGA's general ledger need to be adjusted out through Worksheet A-2. Funding payments reported in Worksheet E will be recognized as subcontractor costs in providing TCM services.

Adjustment to Include TCM Program Cost outside the BU

Per the 1995 MAC Agreement with CMS, costs outside the TCM reporting BU can be added to the Cost Report to properly reflect the actual cost in providing TCM services. Costs added from outside of the BU shall only contain 100% TCM program costs, including labor and non-labor costs. These costs will be added to Worksheet A-2 as an adjustment, and will flow to Worksheet A, Column 13 of TCM lines. Then, costs will flow from Worksheet A, Column 19 to Worksheet B Part IV, Column 25 after all the cost allocations for the defined BU have been completed in Worksheet B.

TCM Expenses outside of the BU can be reported in the Cost Report, only if all three of the following criteria are met:

1. The TCM services were provided by a non-TCM BU within a governmental entity. The non-TCM BU and the TCM BU can be identified in the same governmental entity's organization chart.

2. Costs incurred by the non-TCM BU staff was not included in the total TCM Budget Unit Budget Unit's general ledger.
3. Cost incurred by a non-governmental TCM subcontractor cannot be included under this cost category.

A governmental entity that reports TCM expenses outside of the BU in the Cost Report must meet the following conditions: 1) The expenses were incurred by the qualified TCM staff, such as a direct TCM Case Manager, TCM Supporting Staff, and/or a direct TCM supervisor, 2) The staff outside of a TCM BU who performed the TCM services during the year would be required to conduct a perpetual Time Survey following CMS approved CMAA/TCM time survey methodology, 3) The allowable TCM expenses outside of the BU consists of labor costs and direct chargeable non-labor costs incurred by the qualified TCM Staff outside the TCM BU in providing TCM services. TCM direct chargeable non-labor costs are the type of costs that can be directly assignable to the TCM program, such as TCM Cost Report training expenses and travel expenses related to a TCM encounter.

TCM expenses outside the BU are calculated as follows:

- The labor cost is calculated by multiplying the Salaries and Benefits of the outside TCM staff with the TCM percentage computed on the Time Survey.

  Labor Cost = Monthly Salaries and Benefits Expenses for TCM Staff from outside TCM Budget Unit x Number of Months the Staff Worked as a TCM Staff x TCM Percentage on Time Survey

Note: The number of months must be prorated according to the actual time staff worked as TCM staff.

- Summarize the total direct chargeable non-labor cost from invoices, vouchers, and all necessary supporting documentation incurred by the outside BU TCM staff in providing the TCM activities that were coded on the Time Survey template. If the incurred non-labor cost was for multiple purposes, the TCM portion of the non-labor cost would be proportioned by a reasonable basis that is supported by OMB Circular A-87 and other Federal and State laws and regulations in delivering TCM services. For example, if a county nurse went to visit a client, and direct patient care related services were provided as well as the TCM services, the mileage expense incurred for this trip must be proportionate to TCM by utilizing time spent on TCM and other services.

There are two different ways to report costs outside of the BU based on the following situations:

1) A governmental entity had its own BU provide TCM services and also incurred TCM expenses outside of the BU during the reporting period.

To properly report the TCM program costs outside of the BU for a governmental entity, two types of adjustments need to be made in the Cost Report. First, report the Expense Adjustment on Worksheet A-2, Column 6. Second, report the Funding Adjustment on Worksheet D-1 to include the funding source of the expense.

For example, a governmental entity had TCM BU ABC provide TCM services in a specific reporting period. During mid-year, BU ABC was short staffed and had a case manager from another unit provide TCM services for two months. BU ABC would include the TCM program costs incurred by this case manager in the Cost Report only:

- The costs incurred by the Case Manager was not included in the total TCM BU's general ledger.
- The costs (labor and non-labor) were allowable per OMB Circular A-87 as well as other Federal and State Laws and Regulations for the provision of TCM services.
- This case manager completed a perpetual Time Survey during the two month service period. The calculated allowable TCM program cost can be reported in the Cost Report Worksheet A-2, Column 6, TCM Expense outside the BU. In addition, BU ABC reported the funding sources to support the services provided by this case manager in Worksheet D-1.

The governmental entity is required to keep all supporting documentation for future audits performed by DHCS Audits & Investigation Division.

2) An LGA did not have a BU to provide TCM services during the reporting period. It contracted TCM services to a CBO subcontractor, XYZ. The LGA incurred TCM allowable expense in overseeing the TCM program.

   To properly report the TCM program costs by the LGA staff if the LGA does not claim TCM encounters performed by itself, only one type of adjustment needs to be made in the Cost Report - Funding Adjustment. Propose the adjustment on Worksheet E-1 to include the funding of the allowable TCM expenses incurred by the LGA staff. **DO NOT PROPOSE ANY EXPENSE ADJUSTMENT IN WORKSHEET A-2 UNDER THIS SITUATION.**

For example, if LGA staff provided technical assistance to TCM subcontractors regarding County, Federal and State regulations, the LGA would include the TCM program costs incurred by this staff only if:

- The costs (labor and non-labor) were allowable per OMB Circular A-87 as well as other Federal and State Laws and Regulations for the provision of TCM services.
- The staff completed a perpetual CMAA/TCM Time Survey during the Cost Report period. The allowable TCM program cost incurred by the LGA staff was calculated based on worksheet A-2 instructions.

- The LGA only reports, in Worksheet E-1, the funding sources of incurred TCM expenses by the LGA staff of Subcontractor XYZ.

If the LGA had more than one subcontractor during a reporting period, the Funding Adjustment must be prorated using an equitable basis. Examples are "Total time spent" on each subcontractor's contract; or total TCM cost per each subcontractor, which is consistent with OMB Circular A-87 requirements. All subcontractors must obtain a fair share of TCM services provided by the LGA staff.

The LGA is required to keep all documentation substantiating the cost adjustments in the audit file for any future audits performed by DHCS Audits & Investigation Division.

Adjustments of Non-Allowable Expense

The LGA shall make the expense adjustment in Worksheet A-2 if the reported cost is not allowed per the OMB Circular A-87 and other Federal and State requirements.

For example: The ABC LGA BU had expenses that were not allowable and were reported on the TCM Line, the General & Admin Line, or the Indirect Line in Worksheet A. These costs need to be adjusted in Worksheet A-2 to the corresponding line and column under each BU for proper cost finding.

Unallowable costs for providing the provision of TCM services include, but are not limited to:

1) Cost of Alcoholic Beverages
2) Donations to Local Charities
3) Tickets to Sports Events
4) Golf Club Membership Fees
5) Lobbying Expense

After the Worksheet A-2 Adjustments are completed by the BU, the totals by line and column descriptions will be carried forward to Worksheet A to compute the net reported costs.

<u>Instructions for Worksheet A-2 Input</u>

1. Select a BU sheet of worksheet A-2 that you would like to input an adjustment.
2. Move cursor to line 1 of Worksheet A-2. Select a cost category as line description. Go to the Column that you would like to make an adjustment and input the value of the adjustment. Make sure to input a "-" in front of a number if you want to make a cost reduction.
3. Go to worksheet A, Page 2, to ensure the Worksheet A-2 adjustment is included.

Worksheet B – Cost Allocations

The purpose of Worksheet B is for allocating BU costs to TCM and Non TCM cost categories. This is done in a three-part allocation process using four schedules from Worksheet B.

Worksheet B amounts and percentages either flow from other schedules or are calculations. This worksheet requires no input by the LGA. Part IV of this worksheet summarizes the final TCM and non-TCM program costs for any defined governmental BU.

Worksheet B has four separate schedules for the following:

Part I - Indirect Cost Allocation

This schedule is for allocating the Indirect Cost from Worksheet A, Column 20 to the TCM, Non TCM, and General & Admin Lines. The allocation basis is the labor cost by line descriptions from Worksheet A, Column 16.

Part II - Time Survey Allocation

This schedule is for allocating TCM labor and non-labor expenses identified by TCM time surveyed employees. Employees' Time Survey results are used to carve out the incurred costs identified by employees that are not related to the TCM program. The allocation percentage comes from the Worksheet C, PTO Redistribution per Time Survey, Column 3, PTO Redistribution.

Part III - General and Administration Allocation

This schedule makes the final allocation of indirect costs to TCM and non-TCM programs within a BU for the provision of TCM services. The allocation basis is the total direct program cost in Worksheet B, Part III, Column 17.

Part IV - TCM Program Cost for TCM Services Provided by Governmental Entity

This schedule summarizes the TCM Program Cost for services provided by the LGA BUs and governmental subcontractors after three cost allocations. Worksheet B, Column 26, Total Net Expenses for each TCM BU must always reconcile to Worksheet A, Column 21, Total Net Expenses for each TCM BU without any variance.

Worksheet C - PTO Redistribution per Time Survey

The purpose of Worksheet C is to redistribute the PTO percentage to TCM, non-TCM, and General & Admin. The redistribution percentage will be used on Worksheet B, Part II for TCM Expense, subject to Time Survey Allocation.

Input the total hours from the Time Survey results for each category. Make sure Column 1 reconciles to the Time Survey results without any variance.

Worksheet D – CPE to Governmental Entity for the Provision of TCM Services

This worksheet is **ONLY** used by governmental entities, such as an LGA and/or LPE. It determines if the funding is an eligible CPE for the provision of TCM services for FFP match, as required by 42 CFR Section 433.51, W&I code 14132.44(f), and 22 CCR Section 51535.7.

Governmental TCM service providers are required to identify all funding sources that support the provision of TCM services and the funding sources to meet CPE requirements. Required information includes: (1) Name of funding source, (2) Contributing agency for the funding source, (3) The amount of the funding sources that support the provision of TCM services, and (4) Computed amount of CPE funding to TCM services.

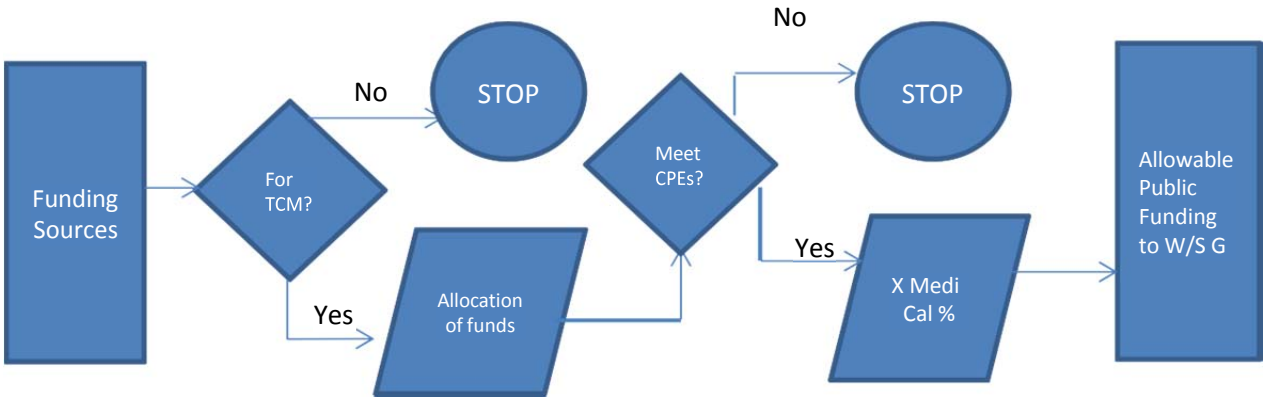
The total funding reported on worksheet D for a reporting TCM BU shall include: (1) TCM BU's total program revenue that is recorded in the general ledger of the BU, (2) Funding that covers the shortage of the BU if the total program revenue is less than total program cost of a TCM BU.

If a governmental entity reports TCM expenses outside of the BU on Worksheet A, the funding source related to this type of expense is listed as a separate line item on Worksheet D. A funding adjustment needs to be reported on Worksheet D-1 prior to displaying this as a separate line on Worksheet D. Do not input any amount in Column 4, Total Funding, on Worksheet D, if you report funding outside of a TCM BU to support the direct TCM expense that was brought into the TCM BU on Worksheet A-2. Once the funding adjustment is input in Worksheet D-1, click the update button on Worksheet D to bring in the number from Worksheet D-1. See Worksheet D-1 instruction for details.

For TCM services to be eligible for Federal reimbursement, funding sources must be used for the purposes of TCM as evidenced by: (1) The use of eligible public funds for public or contractor staff; or by (2) Allocated public funds as evidenced by written documentation such as approved budgets and/or contract scopes of work that support TCM.

The allocated percentage of funding to TCM should be based on the contract language and proper accounting rules and governmental regulations. The funding contract can be specific or non-specific to TCM. Support for the percentage allocation of funding payments must be well documented, if the funding payment is not specific to TCM. Funding sources supporting the provision of TCM services that do not meet CPE requirements, will not be included in the computation for Federal reimbursement in this worksheet. Calculated public funding eligible for Federal reimbursement will be carried over to Worksheet G, Part I, Line 7 to determine if there is sufficient funding to support the TCM Medi-Cal reimbursable cost.

Decision Tree Flow Chart:



It is highly unlikely that a funding source supports the Medi-Cal portion of TCM services only. An LGA who reports this kind of funding must maintain supporting documentation in order to justify the reporting.

<u>Column Descriptions</u>

Funding Name and Contributing Agency

Enter the Funding Name per the general ledger category. Identify the fund contributor for the funding recorded in the general ledger.

Total Funding

After all the funding sources are input, the total funding shall equal the total program revenue as recorded in the general ledger of the identified TCM BU.

Funding Restricted to Non-TCM

Analyze the reported funding to determine whether this funding / revenue supported TCM services. The analysis must follow the matching principle of expenses and revenue/funding recorded in the general ledger of the TCM BU.

Percentage of Funding Allocation to TCM

The determination of proper funding allocation methodology for each funding source can be different as long as it is in compliance with laws and regulations noted in, but not limited to, CMS Publication 15-1, Circular A-87, and DHCS TCM policies. Funds can be allocated by either (1) 100% restricted, (2) Specific percentage identified in a funding contract, (3) Employee time survey result, or (4) Different approach, such as Direct Program Cost basis. If the funding is 100% restricted to TCM services, input "100%" in this column. If the funding is based on a calculated percentage, document the percentage calculation to substantiate the validity of the percentage reported in this column in the audit file for future audit review.

NOTE: The method in determining the funding allocation percentage may vary. The chosen method must be in compliance with existing laws & regulations.

Example of Calculating the Funding Allocation Percentage

A TCM BU provides services for Program I (TCM) and Program II (non-TCM). This Unit only has one employee. 60% of his time was for TCM and 40% was for Program II. During the year, this BU received an unrestricted fund of $10,000 for both services programs. Assume the labor cost was $9,000, direct non-labor cost for TCM was $200, and indirect cost for this BU was $800. The proper funding allocation basis is direct program costs and the percentage is calculated below:

	Direct Labor	Direct Non-labor	Total Direct Cost	Percentage to Total
Program I - TCM	5,400 = 9,000 x 60%	200	5,600	60.87%
Program II	3,600 = 9,000 x 40%	0	3,600	39.13%
Total	9,000	200	9,200	100%

Indirect Cost and Funding Allocate to Two Programs in this BU:

	Program I - TCM	Program II
Direct Labor	5,400	3600
Direct Non-labor	200	0
Indirect Non-labor	800 x 60.87% = 487	800 x 39.13% = 313
Total Program Cost	6,087	3,913
Funding	10,000 x 60.87%	10,000 x 39.13%
Deficit / Surplus	0	0

NOTE: $0 deficit or surplus is a check figure to ensure the proper allocation percentage.

After computing the allocation percentage, input 60.87% in column 7 for percentage of funding allocation to TCM.

Net Public Funding to TCM

This column represents the total eligible CPE supporting TCM services during the reporting period. Review each funding document to determine the nature of funding sources to comply with 42 CFR 433.51. Make an adjustment on worksheet D-1 if the public funding is not eligible for FFP.

Instructions for Worksheet D Input

Column 1 – Name funding sources that support the TCM services.

NOTE: If there is an adjustment in Worksheet A-2 to include costs from outside the BU, the funding sources related to such expense must be identified in this column.

Column 2 – Name the funding agency for the funding source. This column is optional.

Column 3 – Identify the type of funding sources from the drop down list.

Column 4 – List the total funding amount identified from the source named in column 1. This amount must agree with funding/revenue recorded in the general ledger of the TCM BU.

Column 5 – List the funding amount that is restricted to non-TCM services. Enter $0 if the funding is restricted to TCM only. Keep the support documentation to justify the reporting.

Column 6 – Identify the funding amount that is available for the provision of TCM services. Cells are formula-driven and input is not necessary.

NOTE: Column 5 + Column 6 must equal Column 4, Total Funding. Cells are formula-driven.

Column 7 – Enter the percentage of funding allocation to TCM services.

Column 8 – This column multiplies Column 6 and Column 7. Cells are formula-driven.

Column 9 – This column reflects the adjustment amounts from Worksheet D-1. Cells are formula-driven. A funding adjustment is needed if the funding payment does not meet the CPE requirements for eligible Federal reimbursement.

NOTE: The total adjustment amounts for each BU must match Worksheet D-1 for the same BU.

Column 10 – This column has the net balances of columns 8 and 9. Cells are formula-driven.

NOTE: This column reflects CPE public funding for the provision of TCM services for the BU.

Column 11 – This column is the "Percentage of Claimable Medi-Cal Encounters" from Worksheet F, Column 6 for that BU. The cells are formula-driven.

Column 12 – This column multiplies column 10 and column 11. Cells are formula-driven.

NOTE: This column reflects only CPE public funding amounts that are eligible for FFP related to TCM services.

Worksheet D-1 – Funding Adjustments to Governmental Entity

This worksheet provides for the adjustments in support of those listed on Worksheet D, Column 9. The types of adjustments entered on this worksheet include: (1) Those needed to adjust funding to reflect actual funding incurred, (2) Those items needed to adjust funding in accordance with 42 CFR 433.51, and (3) Those items which are provided separately in the funding apportionment process.

Examples for Common Adjustments

Adjustment for Eliminating Funding Source that Does Not Meet CPE Requirements

If the funding source does not meet with Section 433.51 of Title 42 of the Code of Federal Regulations, the Provider is required to propose an adjustment to adjust the funding. Funding sources that may require offset include, but are not limited to Federal funds, client fees, private donations, or private foundation grants.

For example, a private donation is one of the funding sources that supports TCM services for ABC LGA BU. If the private donation does not meet CPE requirements per 42 CFR Section 433.51, W&I code 14132.44(f), and 22 CCR Section 51535.7, ABC LGA must propose an adjustment to eliminate this funding source in Worksheet D-1.

Adjustment to Include Funding Source Supported Direct TCM Expenses outside the BU

A governmental entity has its own BU providing TCM services and it incurs TCM expenses outside of the BU for a specific reporting period. If an Expense Adjustment is reported on Worksheet A-2, the funding source related to the expense adjustment must also be added in Worksheet D-1.

A governmental entity that reports TCM expenses outside of the BU in the Cost Report must meet the following conditions: 1) The expenses were incurred by the qualified TCM staff, such as a direct TCM Case Manager, TCM Supporting Staff, and/or a direct TCM supervisor, 2) the staff outside of a TCM BU who performed the TCM services during the year would be required to conduct a perpetual Time Survey following the CMS approved CMAA/TCM Time Survey Methodology, 3) the allowable TCM expense outside of the BU consists of labor cost and TCM direct chargeable non-labor costs incurred by the qualified outside TCM BU TCM staff in providing TCM services. TCM direct chargeable non-labor cost can be directly assignable to the TCM program, such as for TCM Cost Report training expenses and travel expenses related to a TCM encounter.

When a governmental entity reports TCM services expenses outside of its regular TCM BU(s) during a reporting period, two types of adjustments must be reported in the Cost Report. First, the Expense Adjustment must be reported in Worksheet A-2, Column 6. Second, the Funding Adjustment must be reported in Worksheet D-1 to include the funding source of the expense.

An example of a Funding Adjustment to include a funding source supporting the TCM Services that is provided outside of the BU in Worksheet D-1:

A governmental entity had TCM BU ABC provide TCM services in a specific reporting period. At mid-year, BU ABC was short staffed and had a case manager from another unit to provide TCM services for two months. The governmental entity would follow these steps to report funding sources that support TCM services provided by a TCM staff outside a TCM BU:

a) Verify that services provided by the case manager were within the provisions of OMB Circular A-87 as well as other Federal and State Laws and Regulations for the provision of TCM services. Verify that the TCM costs incurred by the TCM Case Manager outside of the TCM BU were reported in the Cost Report, Worksheet A-2, and Column 6. See Worksheet A-2 instructions for "Adjustment to Include TCM Program Cost outside the BU".
b) The case manager completed a perpetual Time Survey during the two month service period.
c) BU ABC must report the funding sources to support the services provided by the case manager in Worksheet D-1.

Do not report any funding adjustment if the Expense Adjustment is already supported by the original funding within the BU for matching principle.

The governmental entity is required to keep all supporting documentation in the audit file for any future audits performed by DHCS Audits & Investigation Division.

If a cost is added from outside of the BU in Worksheet A-2 adjustment, the funding source related to such cost must also be added in Worksheet D-1. Do not propose any funding adjustments if this cost is already supported by the original funding within this BU for matching principle.

Instructions for Worksheet D-1 Input

Column 1 – Name the funding source listed in Worksheet D that requires an adjustment. The cell is case sensitive. The funding description must be the same as in Worksheet D, Column 1, in order for information to correctly flow from Worksheet D-1 to Worksheet D.

Column 2 – Identify the type of funding sources from the drop down list.

Column 3 – Enter the adjustment amount from the supporting documentation.

NOTE: Make sure the Total Funding Adjustments in Column 3 for the BU match the total in Worksheet D, Column 9 for the same BU.

Column 4 – Provide an explanation of the adjustment.

Worksheet E – Funding Payments to Non-Governmental Subcontractors for the Provisions of TCM Services

This worksheet is designed for a non-governmental entity that is eligible for providing TCM services. This entity must maintain a valid service contract with the LGA for the reporting period. The required financial data of a TCM subcontractor in this Cost Report is the funding payment(s) the subcontractor received for the provision of TCM services.

Worksheet E serves three important functions: (1) Identify the funding payments received by a TCM subcontractor from different sources, (2) Determine the proper funding payments that support the TCM services, and (3) Determine that there was adequate CPE funding for the FFP match as required by 42 CFR Section 433.51, W&I code 14132.44(f), and 22 CCR Section 51535.7.

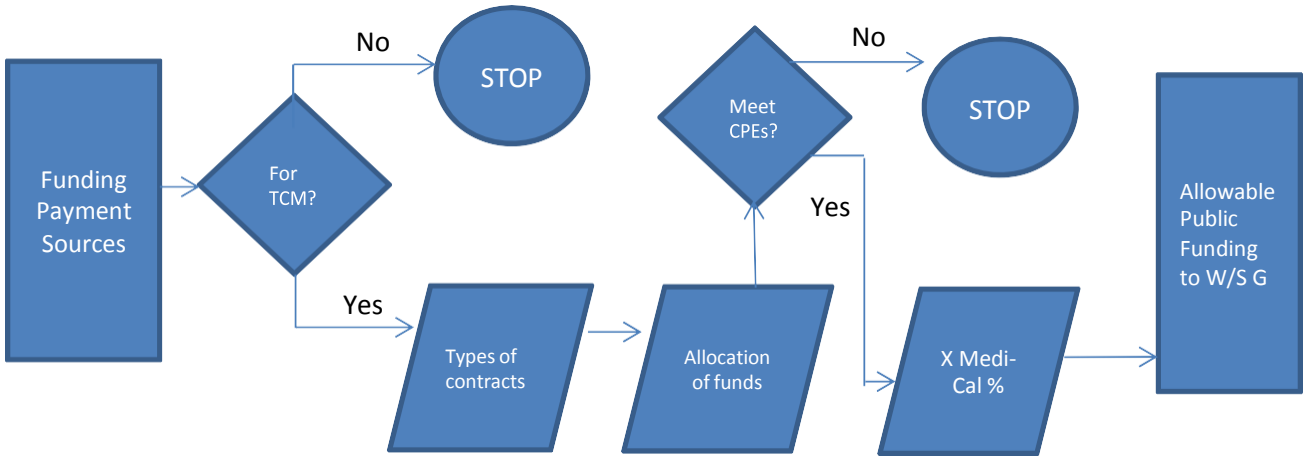
The non-governmental subcontractor is required to identify all funding payment sources that support the provision of TCM services. Required information to be included, but is not limited to: (1) Name of funding payment source, (2) Funding payment that supports the TCM services, and (3) CPE to TCM services.

For TCM services to be eligible for Federal reimbursement, funding sources must be used for the purposes of TCM as evidenced by: (1) The use of eligible public funds for public or contractor staff; or by (2) Allocated public fund as evidenced by written documentation such as an approved budget and/or contract scope of work that support TCM.

The allocated percentage of funding to TCM must be based on the contract language and proper accounting rules and governmental regulations. The funding contract can be specific or non-specific to TCM. It is required to be well documented to support the percentage allocation of funding payments if the funding payment is not specific to TCM. Funding sources supporting the provision of TCM services that do not meet CPE requirements will not be included in the computation for Federal reimbursement in this worksheet. Calculated public funding eligible for Federal reimbursement will be carried over to Worksheet G Part I, Line 7 to determine if there is sufficient funding to support the TCM Medi-Cal reimbursable cost.

Depending on the funding arrangement, a CBO might receive funding greater than the actual expenditures at the end of a State fiscal year. In situations that funding is in excess of actual expenditures in providing TCM services at the subcontractor level, total funding contributed by a TCM fund contributing agency will be adjusted to actual expenses for the provision of TCM services. The adjusted funding must be included as a funding adjustment that is reported on Worksheet E-1. DHCS A&I will request necessary documentation from the LGA, fund contributing agency and LGA subcontractor to verify the actual funding utilized in providing TCM services for the purpose of FFP determination in the reporting period.

Decision Tree Flow Chart:



<u>Instructions for Worksheet E Input</u>

Column 1 – Name funding payment sources that support the TCM services.

Column 2 – Name the funding payment agency for the funding payment source.

Column 3 – Identify the type of funding payment sources from the drop-down list.

Column 4 – List the total amount of the funding payment from the source named in column 1. This amount must match with the subcontractor's financial records, and is supported by funding contracts, invoices, etc.

Column 5 – List the funding amount that is restricted to non-TCM services. Enter $0 if the funding is restricted to TCM only. Keep the support documentation to justify the reporting.

Column 6 – Identify the funding amount that is available for the provision of TCM services. Cells are formula driven.

NOTE: Column 5 + column 6 must equal to column 4, Total Funding.

Column 7 – Enter the percentage of funding allocation to TCM services.

The determination of the proper funding allocation method for each funding source can be different, as long as it is in compliance with laws and regulations, such as CMS Publication 15-1, OMB Circular A-87, and DHCS TCM policies. Funds can be allocated by either (1) 100%

restricted to TCM, (2) Specific percentages identified in a funding contract, (3) Employee Subcontractor Time Survey results, or (4) Different approach, which must be valid, supported, and documented. If the funding is 100% restricted to TCM services, input "100%" in this column. If the funding is based on a calculated percentage, make sure to document the percentage calculation to substantiate the validity of the percentage reported in this column in the audit file for future audit review.

NOTE: Refer to Worksheet D instruction for the calculation of Percentage of Funding Allocation to TCM.

Column 8 – This column multiplies Column 6 by Column 7. Cells are formula-driven.

Column 9 – This column is the adjustment amounts from Worksheet E-1. Cells are formula-driven. A funding adjustment is needed if the funding payment does not meet the CPE requirements for eligible Federal reimbursement.

NOTE: The total adjustment amounts for each BU must match to Worksheet E-1 in the same BU.

Column 10 – This column equals the net balances of Columns 8 and 9. Cells are formula-driven.

NOTE: This column reflects CPE public funding for the provision of TCM services for the non-governmental subcontractor.

Column 11 – This column is the "Percentage of Claimable Medi-Cal Encounters" from Worksheet F, Column 6 in relation to the subcontractor. Cells are formula-driven.

Column 12 – This column multiplies Column 10 by Column 11. Cells are formula-driven.

NOTE: This column reflects only CPE public funding amounts that are eligible for FFP related to TCM services.

Worksheet E-1 – Funding Adjustments to Non-governmental Entity

This worksheet provides for the adjustments in support of those listed on Worksheet E, Column 9. Types of adjustments entered on this worksheet include: (1) those needed to adjust funding payment to reflect actual funding payment incurred, (2) Those items needed to adjust funding payment in accordance with 42 CFR 433.51, (3) Those items which are provided separately in the funding payment apportionment process.

This worksheet is designed to report funding adjustments only for TCM services provided by the non-governmental subcontractor(s). Worksheet E-1 has the same format as Worksheet D-1.

Examples for Common Adjustments

Adjustment for Eliminating a Funding Source that Does Not Meet CPE Requirements

If the funding source does not comply with Section 433.51 of Title 42 of the Code of Federal Regulations, the provider is required to propose an adjustment to adjust the funding that is originally reported on Worksheet E. Funding sources that may require offset include, but are not limited to Federal funds, client fees, private donations, or private foundation grants.

For example, private donation is one of the funding sources supporting TCM services for an LGA subcontractor. If the private donation does not meet CPE requirements per 42 CFR Section 433.51, W&I code 14132.44(f), and 22 CCR Section 51535.7, the cost report preparer shall propose an adjustment to eliminate this funding source in Worksheet E-1.

Adjustment to Include a Funding Source to Support the Direct TCM Expense Incurred by an LGA Staff

For Example, an LGA contracts TCM services to a non-governmental subcontractor. The staff of the LGA incurs TCM non-encounter associated expenses, such as TCM program oversight during a specific reporting period. The LGA can utilize Worksheet E-1 to report funding supported by the allowable TCM expenses incurred by the staff.

An LGA that incurred TCM expenses not associated with encounters in the cost report period must meet the following conditions: 1) The expenses were incurred by the qualified TCM staff, 2) The governmental staff who performed the TCM services during the year would be required to conduct a perpetual Time Survey following the CMS approved CMAA/TCM Time Survey Methodology, 3) The allowable TCM expenses consists of labor costs and TCM direct chargeable non-labor costs incurred by the LGA TCM staff in providing TCM services. TCM direct chargeable non-labor cost is the type of cost that can be directly assigned to the TCM program, such as TCM Cost Report training expenses.

Follow Worksheet A-2 instructions for “Adjustment to Include TCM Program Cost outside of the BU” to calculate the allowable TCM cost incurred by the governmental entity when contracting

TCM services to a non-governmental entity. Do not report the calculated expenses in the cost report. To report TCM services provided by the staff of a governmental entity that does not provide TCM encounter related services when contracting to a non-governmental entity, the only type of adjustment that needs to be made in the cost report is the funding adjustment. Adjust on Worksheet E-1 to include the funding supporting the allowable TCM expenses incurred by the staff. **DO NOT PROPOSE ANY EXPENSE ADJUSTMENT IN WORKSHEET A-2 UNDER THIS SITUATION.**

Example of a Funding Adjustment to Include Funding Source Supporting TCM Services Provided by the Staff of a Governmental Entity:

An LGA did not have a BU providing TCM services during the reporting period. It contracted TCM services to a CBO subcontractor, XYZ. The LGA incurred TCM allowable expenses in overseeing the TCM program. The LGA would include the funding source supporting the TCM services provided by the staff in Worksheet E-1 only if:

- The costs (labor and non-labor) were allowable per OMB Circular A-87, as well as other Federal and State Laws and Regulations for the provision of TCM services.
- The LGA staff completed a perpetual Time Survey during the Cost Report period.
- The allowable TCM cost was calculated based on Worksheet A-2 cost report instructions.
- Only report in Worksheet E-1, for Subcontractor XYZ, the funding supporting the TCM expenses incurred by the LGA staff.

If the LGA had more than one subcontractor during the reporting period, the funding adjustment would be prorated using an equitable basis, such as total time spent on each subcontractor's contract or total TCM cost per each subcontractor, consistent with OMB Circular A-87 requirements, to ensure all subcontractors obtain a fair share of TCM services provided by the LGA staff.

The LGA is required to keep all supporting documentation in the audit file for any future audits performed by DHCS Audits & Investigation Division.

Instructions for Worksheet E-1 Input

Follow Worksheet D-1 instruction to fill out the Worksheet E-1.

Worksheet F - Summary of Encounters (LGA and Subcontractors)

The purpose of Worksheet F is to summarize the total encounters that will be used to determine the cost per encounter on Worksheet G.

An encounter is defined as a face-to-face contact, or a telephone contact, with the beneficiary for the purpose of rendering one or more TCM service components by a TCM case manager. A telephone contact may be reimbursed in lieu of a face-to-face contact only when TCM services are provided and when hazardous travel conditions preclude a face-to-face encounter.

A TCM service provider needs to maintain a TCM encounter log to capture all TCM encounter related services that were provided during the cost report period. TCM encounters need to be classified into 3 different categories:

1) Claimable TCM Medi-Cal Only Encounters: encounters include all TCM Medi-Cal encounters with a claimable status.
2) Non-claimable TCM Medi-Cal Only Encounters: encounters consist of TCM Medi-Cal encounters that are not reimbursable through TCM program. For example: a TCM Medi-Cal encounter is reimbursed through 1915(C) Waiver. Make sure to include this encounter in the TCM encounter log.
3) TCM Non-Medi-Cal Encounters: encounters that received a non-eligible status due to Medi-Cal ineligibility. See AID codes for more information.

Part I – TCM Encounter Summary

TCM Services Provided by Governmental Entity

The TCM service provider is required to continuously maintain and update encounter logs on an ongoing basis for each business day. Using the encounter log(s), tally and classify the TCM **total** number of encounters by each reported BU among 1) Claimable TCM Medi-Cal Only Encounters, 2) Non-Claimable TCM Medi-Cal Only Encounters, and 3) TCM Non-Medi-Cal Encounters.

NOTE: Ensure all encounters with a pending status have been adjudicated prior to the twelve month expiration date.

Enter these numbers, by BU, where indicated in the LGA section of the Worksheet F, Part I, TCM Encounter Summary.

TCM Services Provided by Non-Governmental Subcontractor(s) of an LGA

If the TCM services were provided by a contractor of an LGA, summarize the encounters in the same manner as above but enter the types of encounters by each contractor in the Contractor's Section of Worksheet F, Part I.

Part II – Summary of Claimable Medi-Cal TCM Encounter

This worksheet is used to classify total claimable Medi-Cal TCM encounters into different FMAP categories during a cost report period. If more than one FMAP rate is available during the period, FFP is calculated by applying different FMAPs.

Once the input is complete on Part II, the total claimable Medi-Cal TCM encounters must equal to Part I, Column 1, Line 19, Total Claimable.

Maintaining the TCM Encounter Log to Substantiate the Provided TCM Services

The LGA and its subcontractor are required to maintain an up-to-date TCM encounter log to support the provided services. The TCM encounter log helps to determine the actual rate in providing TCM services, as well support the LGA in claiming FFP. LGA TCM billing staff need to ensure: (1) All claimable encounters entered into the TCM System must agree with the records in the TCM encounter log, (2) Update the TCM encounter log per information from TCM System, (3) TCM payments received from the State must reconcile to Invoices submitted, (4) Update the TCM System for paid encounters once the payment is received.

Instructions for Worksheet F Input

1. Input number of encounters in Columns 1, 2, and 4 in Part I based on the supporting documentation per each TCM service provider.
2. Ensure the total encounter matches with the TCM encounter log.
3. Input different FMAP rate on Columns 1-4 of Part II.
4. Input number of claimable TCM Medi-Cal encounters under each FMAP rate.
5. Part II, Column 5, Line 2 must equal Part I, Column 1, Line 19.

Worksheet G – Calculation of Reimbursement Settlement

This worksheet serves three functions: (1) Calculate Medi-Cal reimbursement per individual BU/subcontractor, (2) Calculate the TCM reimbursement settlement, and (3) Determine the newly established interim Medi-Cal TCM encounter payment rate (IMTEPR). **There are only two purple cells requiring data entry in Worksheet G, Part II, Column 1, Line 3 & 4: Interim Payments and Other Coverage.** All other cells are formula-driven and no input is necessary.

During the service period that is covered by the prepared cost report, an LGA bills DHCS for TCM Medi-Cal claims, and receives interim payments. Four months after the end of the State fiscal year, an LGA files a Cost Report to DHCS that summarizes the total cost for the provision of TCM services for the prior State fiscal year. DHCS Audits and Investigations (A&I) unit will conduct an audit to perform the settlement reconciliation. If at the end of the final reconciliation process, it is determined that an LGA received an overpayment, the overpayment will be collected from the LGA. Conversely, if at the end of the final reconciliation process, it is determined that an LGA received an underpayment, the underpayment will be paid to the LGA.

Note: According to the State Plan Amendment (SPA) 10-010 Section C.1(e) "The Department will adjust the rate downward on an annual basis if requested by the LGA." The DHCS will adjust the encounter rate downward only once each fiscal year. The LGA Coordinators may request a lower encounter rate by submitting a TCM Downward Rate Adjustment Request Form with their submission of the TCM Cost Report to the DHCS A&I on November 1, of each fiscal year.

Downward Rate Adjustment Request Form Submission:

1. E-mail your encounter rate downward adjustment request with the submission of your Cost Report to DHCSA&I at dhsaitcm@dhcs.ca.gov and a copy to the TCM Program at dhcs-tcm@dhcs.ca.gov by November 1, of each year.
2. Mail a hard copy of the encounter rate downward adjustment request depicting a blue ink signature.

The Downward Rate Adjustment Request Form can be found on the TCM Website at the following address:

http://www.dhcs.ca.gov/provgovpart/Pages/TCM-Forms.aspx

Part I – Summary of Medi-Cal Reimbursement per Individual BU/Subcontractor

Table: Total Program Cost and Encounter Rate

This table summarizes each BU's and/or subcontractor's total TCM cost and calculates the cost per encounter rate for each BU and/or subcontractor.

Column Descriptions – Column 1 to Column 4 represent a governmental entity's BUs and column 5 to column 16 represent subcontractors. Column 17 is the sum of Column 1 through 16.

Line 1, Column 1 to Column 4 – Total TCM Program Cost for each BU carries over from Worksheet B, Part IV, Column 26 by each BU. For example, Worksheet G, Part I, Column 1, Line 1 carries over from Worksheet B, Part IV, Column 26, Line 1. Worksheet G, Part I, Column 2, Line 1 carries over from Worksheet B, Part IV, Column 26, Line 5, etc.

Line 1, Column 5 to Column 16 – Total TCM program cost for each subcontractor carries over from Worksheet E, Column 10 by each contractor. For example, Worksheet G, Part I, Column 5, Line 1 carries over from the total in Worksheet E, Contractor 1, Column 10.

Line 2 – Total TCM encounters carries over from Worksheet F, Part I, Column 5.

Line 3 – TCM program cost per encounter is equal to line 1 divided by line 2.

TCM Program Cost Per Encounter = Total TCM Program Cost / Total TCM Encounters

Table: Calculated Maximum Medi-Cal Reimbursement

This table determines the maximum Medi-Cal Reimbursement amount.

Line 4 – TCM reimbursable cost per encounter from Line 3.

Line 5 – Total TCM Medi-Cal claimable encounter from Worksheet F, Column 1.

Line 6 – TCM Medi-Cal reimbursable cost. It is the product of line 4 and line 5.

Line 7 – CPE funding for eligible TCM program reimbursement. Data is from Worksheet D and Worksheet E, Column 12.

Line 8 – Subtracts line 6 from line 7 to determine the sufficient CPE funding for TCM reimbursement.

Line 9 – Maximum Medi-Cal reimbursable amount is the lesser of line 6 or line 7.

> Maximum Medi-Cal Reimbursable amount = **lesser of** TCM Medi-Cal Reimbursable cost (Line 6) **or** CPE Funding to TCM program (Line 7)

Part II – Summary of LGA TCM Reimbursement Settlement

This schedule reconciles the difference between the overall LGA maximum Medi-Cal TCM reimbursements and payments that have been received during the reporting period for the provision of TCM services. The difference on Line 5, Balance Due LGA/(State), represents the overpayment/underpayment of the interim payments an LGA received in providing TCM services for a cost report covered period. The result is subject to DHCS settlement reconciliation via a TCM audit. The reimbursement settlement will be finalized by DHCS Audits and Investigations Division within three years from the date of submission of the original or amended Cost Report by the LGA, whichever is later.

Line 1 – Carries over from Worksheet G, Part I, Column 17, Line 9.

Line 2-2.4 – Maximum Medi-Cal reimbursement per each FMAP. Cells are formula driven.

Line 3 – Enter the total interim payments from DHCS for TCM services. The interim payment amounts must reflect the total of, (1) payments the LGA received, and (2) pending DHCS payments for submitted invoices in this Cost Report period.

Line 4 – Enter the total payment received from other TCM payer sources, such as other insurance carrier, Medi-Cal client insurance deductible, or others.

Line 5 – Subtracts line 3 and line 4 from line 2 to come up with the balance due LGA/Program. This amount is subject to DHCS reconciliation.

Part III – Newly Established Interim Medi-Cal TCM Encounter Payment Rate (IMTEPR)

State Plan requires the use of an Accepted Cost Report to establish the interim Medi-Cal TCM encounter payment rate (IMTEPR) for the TCM interim reimbursement until a new rate is established.

Line 6 – Carries over from Worksheet G, Part I, Column 17, Line 1.

Line 7 – Carries over from Worksheet G, Part I, Column 17, Line 2.

Line 8 – Line 6 divides by line 7.

IMTEPR = Total LGA Overall TCM Program Cost / Total LGA Overall TCM Encounters

Instructions for Worksheet G Input

1. Go to Part II of Worksheet.
2. Enter interim payments as negative numbers based on the paid and pending invoices.
3. If you returned payment to DHCS for an overpayment during the interim period, enter the overpayment on Line 4, Other Coverage as a negative number.

APPENDIX A

TCM Resources

California Code of Regulations • 22 CCR Section 51185 • 22 CCR Section 51271 • 22 CCR Section 51272 • 22 CCR Section 51351 • 22 CCR Section 51535.7	www.calregs.com
Code of Federal Regulations • 42 CFR Section 433.51	http://cfr.law.cornell.edu/cfr/cfr.php?title=42
Office of Management and Budgets Circular A-87	www.whitehouse.gov/omb/circulars/a087/a087-all.html
TCM Website	http://www.dhcs.ca.gov/provgovpart/Pages/TCM.aspx
Calif. Welfare & Institutions Code • W&I Code Section 14132.44	www.leginfo.ca.gov