



Governor

July 25, 2005

MAA/TCM Coordinator

Dear

The federal Centers for Medicare and Medicaid Services (CMS) is deferring the federal reimbursements to the California Department of Health Services (DHS) for services provided by your Local Governmental Agency (LGA) under the Medi-Cal Targeted Case Management (TCM) program for the following target populations: _____.

CMS stated its reason for deferral is that their review of the TCM program indicates “some of the counties participating in TCM may be using private funds as the State’s share of the payments.”¹

More specifically, CMS is concerned that some expenditures under the TCM program do not meet the requirements described in 42 Code of Federal Regulations, Section 433.51, which defines certified public expenditures (CPE). CPE is required to obtain federal reimbursement under the TCM program. (See Policy and Procedure Letter 05-005, available at <http://www.dhs.ca.gov/tcm>.) Based on a survey conducted in 2003, it is believed your LGA may have contracted with one or more nonpublic community-based organizations (CBO) to serve the target populations listed, and those CBOs did not receive sufficient public funds to justify the resulting federal reimbursements.

A listing of the deferred invoices for your LGA is enclosed. For each of the invoices listed, please provide documentation to verify that the associated expenditures meet the requirements of 42 CFR 433.51 as interpreted by CMS and DHS. You may refer to Policy and Procedure Letter 05-005, available on the DHS TCM website (<http://www.dhs.ca.gov/tcm>), for additional information about CPE requirements.

¹ Letter dated November 6, 2003, from Linda Minamoto, CMS, to Diana Bontá, Director, DHS.

Documentation that will satisfy this request may include the following:

- Organizational charts or other documentation showing that subcontractors are government entities instead of private CBOs.
- Documentation of the costs associated with government employees, if any are included in the target population associated with the invoice.
- Invoices from the CBO to the LGA requesting reimbursement for providing TCM.
- Invoices from the CBO to the public agency providing reimbursement for TCM, if it is not the LGA.
- Records of payments made by the LGA or other public agency as the result of invoices submitted by CBO.
- Records of payments made by the LGA or other public agency to the CBO based on a contractual agreement rather than invoice submission.
- Copies of the LGA's or public agency's general ledger or accounting system reports that can verify payments made to the CBO.

In all of the examples above, DHS will review contract information included in the respective cost reports to analyze the documentation submitted. No originals are requested; copies are sufficient. Invoice and payment documentation must identify where the invoice came from, what the invoice is for, where the payment came from, and the purpose of the payment. If your documentation does not identify information that specifically isolates individual TCM invoices, please provide documentation that covers the time periods in question (e.g., 2nd quarter, fiscal year 2003-04).

The deadline for submitting documentation to DHS for the affected invoices is 60 days from the date of the letter. DHS will communicate final CPE determinations to CMS within 60 days after receiving the documentation. If DHS determines that insufficient CPE is documented, it is expected that CMS will disallow the portion that is not documented. As required by State law, DHS would then recoup reimbursements from your LGA. The CPE that is documented and accepted by CMS will result in corresponding federal reimbursement that will replace State funds used to initially honor the invoices from your LGA.

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If you have questions regarding this request, please contact Mr. David Bass, Chief of the Local and Schools Services Unit, at (916) 552-9616 or by email at dbass@dhs.ca.gov.

Sincerely,

Original Signed by Elizabeth Touhey

Elizabeth Touhey, Chief
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Enclosure

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