



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

DATE: August 26, 2020

PPL No. 20-040

TO: Local Educational Agency (LEA)

SUBJECT: NOTIFICATION OF COST SETTLEMENT PROCESS FOR
SPECIALIZED MEDICAL TRANSPORTATION (SMT) IN THE LOCAL
EDUCATIONAL AGENCY MEDI-CAL BILLING OPTION PROGRAM
(LEA BOP)

This Policy and Procedure Letter (PPL) notifies Local Educational Agencies (LEAs) participating in the LEA BOP that SMT services will be cost settled using the Cost and Reimbursement Comparison Schedule (CRCS) as of July 1, 2019. Transportation services reimbursed through the LEA BOP for dates of service between July 1, 2015 and June 30, 2019 will be considered final payment for transportation services rendered, and will not be included on the CRCS for State Fiscal Years (SFYs) 2015-16, 2016-17, 2017-18, and 2018-19.

State Plan Amendment (SPA) 15-021 was approved by the Centers for Medicare and Medicaid Services (CMS) on April 27, 2020. This PPL covers the changes that will take place due to cost settlement of LEA SMT claims in the LEA BOP as a result of SPA 15-021.

Beginning July 1, 2019, SMT services provided to Medi-Cal enrolled students with an Individualized Education Plan (IEP) or an Individualized Family Services Plan (IFSP) are subject to cost settlement. Per SPA 15-021, SMT services provided to students with an Individualized Health and Support Plan (IHSP) are not allowable for reimbursement.

Allowable SMT Costs

For dates of service on or after July 1, 2019, LEAs receiving interim reimbursement for IEP/IFSP SMT services must report associated costs on the CRCS for transportation services provided during the cost reporting period. LEAs may only report SMT costs on the CRCS, comprised of employed personnel costs, other transportation costs (including contractor expenses), and depreciable equipment expenses, as follows:

- **Employed personnel costs** are allowable salary and benefit costs for SMT providers employed by the LEA and are limited to the following staff: bus drivers, mechanics, and substitute bus drivers. **Note that DHCS has removed “bus attendants” from the list of allowable staff personnel costs, based on recent CMS guidance that there can be no cost allocation for attendants whose role is to monitor a group of students on the bus.** Trained Health Care Aides that provide one-on-one Activities of Daily Living (ADL) Assistance Services or Specialized Physical Healthcare Services remain allowable service practitioners whose costs will be reported under Trained Health Care Aides on the CRCS.
- **Other SMT costs** are non-salary/benefit costs, limited to the following: lease/rental costs, insurance costs, maintenance and repair costs, fuel and oil costs, and contracted services (including specialized transportation service provider costs and specialized transportation equipment costs).
- **Depreciable SMT equipment costs** for equipment purchased in excess of \$5,000, which is depreciated over the useful life of the asset, using the straight-line depreciation methodology. Equipment applicable to general education students must not be included on the CRCS.

Allocation of Shared Transportation Costs

In instances where LEA transportation costs are not direct-costed to **specialized** transportation services, it is permissible for LEAs to allocate the costs of SMT services on the CRCS. For example, the LEA may allocate employee salaries/benefits to SMT services when that employee’s duties include driving and/or servicing both specially adapted vehicles and regular transportation vehicles. The required allocation methodology will be the LEA’s ratio of specially adapted vehicles to the total number of vehicles. The following example of a mechanic that works on both specialized and general transportation vehicles illustrates the required cost allocation methodology:

Total Mechanic Salary/Benefit Cost: \$40,000

Number of Specially-Adapted Vehicles: 5

Number of Total Vehicles: 25

Specially-Adapted Vehicle Ratio: 20% (5 vehicles divided by 25 vehicles)

Total Cost Allocated to Specialized Transportation Services = \$8,000 (\$40,000 x 20%)

The total cost allocated to SMT (\$8,000, in this example) would be entered into the LEA’s CRCS on Worksheet E.1. This amount would be stepped down by the application of the One-Way Trip Ratio and the Federal Medicaid Assistance Percentage (FMAP), both of which are included on the CRCS.

Any costs allocated to specialized transportation services and reported on CRCS Worksheets E.1 and E.2 will require documentation to support the allocated amount that is reported on the annual CRCS.

Costs reported on CRCS Worksheet E.3 (Transportation Equipment Depreciation) are **not** eligible for allocation using the methodology outlined in this PPL; equipment costs reported on Worksheet E.3 **must** be solely related to SMT.

Allocation of SMT Costs Using a Medicaid One-Way Trip Ratio

In addition to reporting transportation costs during the cost reporting period, LEAs must include information on their CRCS to establish a Medicaid One-Way Trip Ratio per PPL No. 20-004R. This ratio will be applied to the allocation of shared transportation costs as well as LEA transportation costs that are direct-costed to specialized transportation services and will discount the LEA's SMT costs by the percentage of one-way trips applicable to Medi-Cal students. The Medi-Cal One-Way Trip Ratio will be calculated based on the ratio of the total number of paid Medi-Cal IEP/IFSP One-Way Trips divided by the total number of all IEP/IFSP One-Way Trips. The one-way student trip count must be based on actual one-way trips, not estimated or average student one-way trips for the SFY.

This PPL does not change the required criteria to bill SMT in the LEA BOP, which is described in PPL 18-027. For more information regarding SMT, please see the LEA BOP Transportation Claiming Guide and the *LEA Service: Transportation (Medical)* section of the LEA Provider Manual, available on the DHCS website at: <http://www.dhcs.ca.gov/provgovpart/Pages/LEA.aspx>.

In addition, DHCS will provide training on these new cost settlement requirements, as well as post the revised CRCS form and instructional document on its website.

If you have questions concerning this PPL, please contact DHCS by e-mail at LEA@dhcs.ca.gov.

Sincerely,

ORIGINAL SIGNED BY

Rick Record, Chief
Local Educational Agency Medi-Cal Billing Option Program