

Definitions of Terms Used in This Information Notice

Administration: Activities include those tasks a mental health plan must perform in order to implement the requirements contained in Exhibit A, Attachments 4 (Management Information System), 7 (Access and Availability of Services), 8 (Provider Network), 11 (Information Requirements), 12 (Beneficiary Problem Resolution), 13 (Program Integrity), and 14 (Reporting Requirements) to the mental health plan contract for developing policies and procedures, implementing and managing processes, and monitoring compliance to administrative requirements.

Cost Allocation: The process of identifying, aggregating, and assigning costs to cost objectives.

Cost Objective: A function, organizational subdivision, contract, federal award, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

Cost Pool: A grouping of individual costs, typically by department or service center. Cost allocations are then made from the cost pool. The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision needed. ([OMB Circular A-87](#)) pg. 54

Final Cost Objective: A cost objective which has allocated to it both direct and indirect costs and, in the non-federal entity's accumulation system, is one of the final accumulation points, such as a particular award, internal project, or other direct activity of a non-federal entity. (2 CFR Section 200.44)

Direct Cost: Direct costs are those that can be identified specifically with a particular final cost objective. Typical direct costs chargeable to Federal awards are compensation of employees for the time devoted and identified specifically to the performance of those awards; cost of materials acquired, consumed, or expended specifically for the purpose

of those awards; equipment and other approved capital expenditures; and travel expenses incurred specifically to carry out the award. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives. ([OMB Circular A-87](#))

Indirect Costs: Indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. ([OMB Circular A-87](#))

Utilization review and quality assurance: Activities include those tasks a mental health plan must perform in order to implement the requirements contained in Exhibit A, Attachments 5 (Quality Improvement System), 6 (Utilization Management Program), 9 (Documentation Requirements), and 10 (Coordination and Continuity of Care) to the mental health plan contract for monitoring and measuring performance, designing and implementing quality standards, developing policies and procedures for UR/QA, reporting and disseminating guidance, authorizing and coordinating service delivery.