

Handout 5

TCM September & October 2014 Cost Report Training

Exercises & Answers

Exercise 1: Define a TCM Budget Unit on Information Sheet

DHCS contracts with Z County to provide TCM services from state fiscal year July 1, 2014 to June 30, 2019. Services will be provided by Z County Public Health Department. On November 1, 2015, Z County files a TCM annual cost report for services provided in FY 2014/15.

- If Z County recognizes its Public Health Department as the TCM Budget Unit (BU), Z County will identify the Public Health Department as the BU 1 in Part II of the Information Sheet on FY2014/15 Cost Report.

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

- If Z County defines a sub-department unit, Nursing, as a TCM BU, the Nursing Unit can be identified individually through its accounting system (indicated on the organizational chart and maintain a separate general ledger for this sub-unit). Z County will identify the Nursing unit as BU 1 in Part II of the Information Sheet on FY 2014/15 Cost Report.

Line No.	Description	LGA or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health - Nursing	Contractor		

- If the Public Health Department has 3 sub-department units, AA, BB and CC, performing TCM services, and all 3 sub-units have 3 separate sets of general ledgers, Z County will identify each of these sub-units as one BU on the Cost Report.

Line No.	Description	LGA or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health - AA	Contractor		
11	Budget Unit 2	Public Health - BB	Contractor		
19	Budget Unit 3	Public Health - CC	Contractor		

Exercise 1: Define a TCM Budget Unit on Information Sheet

- If TCM services were provided by Z County’s Public Health Department and Public Guardians Department, Z County will identify the TCM BU based on the setting of the accounting system. [As long as the defined BU can be supported by the organizational chart and separate general ledger, then these units must be identified as separate BUs on the Information Sheet.]

Line No.	Description	LGA or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health - AA	Contractor		
11	Budget Unit 2	Public Health - BB	Contractor		
19	Budget Unit 3	Public Guardians – DD	Contractor		
27	Budget Unit 4	Public Guardians - EE	Contractor		

1. DHCS contracts with Z County to provide TCM services for period from state fiscal year July 1, 2014 to June 30, 2019. Z County contracts out TCM services. Z County’s Public Health Department will oversee the program operation. On November 1, 2015, Z County files the TCM annual Cost Report for services provided in FY 2014/15. The subcontractor(s) that provided TCM services are not required to file the FY 2014/15 TCM cost report.

- If Z County contracts out TCM services to a local governmental entity, City of Y, Z County must identify its Public Health and the City of Y in Part II of the Information Sheet as BU1 and BU2.

Line No.	Description	LGA or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health Department	Contractor		
11	Budget Unit 2	Y City – Department/Unit	Contractor		

- If Z County provides the TCM services, as well subcontracts the TCM services to the local governmental subcontractor(s), follow Question 1 exercises to identify Z County BUs on the Information Sheet. Local governmental subcontractor(s) will be identified as BU(s) after the LGAs BU(s) on the Information Sheet.

Exercise 1: Define a TCM Budget Unit on Information Sheet

Line No.	Description	LGA or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health - AA	Contractor		
11	Budget Unit 2	Public Health - BB	Contractor		
19	Budget Unit 3	Public Health - CC	Contractor		
27	Budget Unit 4	Y City - Department/Unit	Contractor		

- If Z County provides the TCM services, as well subcontracts the TCM services to the local governmental and non-governmental subcontractor(s), follow Question 1 exercises to identify Z County BUs on the Information Sheet. Non-governmental subcontractor(s) will be identified as Contractor(s) on the Information Sheet next to the identified Z County BU who oversees the non-governmental subcontractor(s).

Line No.	Description	LGA or Local Governmental Subcontractor	Description	No.	Non-Governmental Subcontractor Name
		1		2	3
3	Budget Unit 1	Public Health - AA	Contractor	1	CBO - HH
				2	CBO - II
11	Budget Unit 2	Public Health - BB	Contractor		
19	Budget Unit 3	Public Guardians - DD	Contractor	3	CBO - JJ
27	Budget Unit 4	Y City - Department/Unit	Contractor		

Exercise 2: Worksheet A, A-1, A-2 (Question & Answer)

1. In order to prepare the TCM cost report, the total cost for a TCM BU will be broken down into direct and indirect cost categories on Worksheet A. Name these cost categories. Among these categories, how many are direct and how many are indirect?
 - There are 4 cost categories on Worksheet A: TCM, Non-TCM, General & Admin (G&A), and Indirect.
 - Among these categories, TCM and Non-TCM are direct cost categories. General & Admin and Indirect are indirect cost categories.
2. If labor costs are not directly identifiable on a BU's general ledger, how are Salaries & Benefits expense reported on TCM, Non TCM, and General & Admin lines?
 - Classify employees of a TCM BU into 3 different cost categories: TCM, Non-TCM and G&A. All TCM staff shall time survey during the year.
 - Perform a salary analysis to match payroll records to total salary expenses recorded in the general ledger of the BU.
 - Keep supporting documents for future audits.
3. How is data generated from a BU's general ledger to report the expense in Column 3, Other, for the Indirect line?
 - This column is used to report non-salary and benefit expenses recorded in the general ledger of the TCM BU.
 - To report the expense in Column 3, Other, use Total BU Expenses from the General Ledger minus Salaries Expenses reported on Column 1 of Worksheet A, then minus Benefit Expenses reported on Column 2 of Worksheet A.
4. On Worksheet A, which number represents the total cost of a TCM BU that is supported by the BU's general ledger?

Column 4, Total Expense, Line 5, 10, 15, 20, Subtotal of a TCM BU, represents the total cost of a TCM BU that is supported by the BU's general ledger.

Exercise 2: Worksheet A, A-1, A-2 (Question & Answer)

5. Explain “Other Expense by Employee” and “Other Expense by Program. What are the similarities and differences between the two?

- Other Expense by Employee: The incurred expense can be directly assigned to an employee. For example, a TCM case manager incurred travel expense for a home visit.
- Other Expense by Program: The incurred expense can be directly assigned to a service program that a TCM BU is responsible for. For example, a TCM case manager bought a special binder that is only used for recording the TCM case notes for a TCM client.
- Similarity: Incurred expenses are directly assignable to a particular cost objective.
- Difference: Other Expense by Employee is subject to Time Survey allocation first. Other Expense by Program is subject to G&A cost allocation by using Direct Program Cost as an allocation basis.

6. What type of cost can be brought into the TCM BU if the cost was not recorded in the general ledger of this unit?

100% direct TCM program cost can be brought into the TCM BU if the cost was not recorded in the general ledger of the BU.

7. What columns and cells require manual input on Worksheet A?

Column 1, 2, 3 of Worksheet A requires manual input. Only the purple cells require manual input.

8. How many reclassification types have been discussed? After reclassifications are complete, what type of expenses can remain on Column 8, Other, of Indirect line? Any examples?

- There are two types of reclassifications: Reclassification of Other Expense by Employee, Reclassification of Other Expense by Program.
- Labor related cost, such as workers’ compensation expense.

Exercise 2: Worksheet A, A-1, A-2 (Question & Answer)

9. How do you check the accuracy of input for Worksheet A-1?

- Pick a proper cost category to start with a reclassification.
- Always make a pair of entries when making a reclassification.
- Worksheet A-1 reclassifications should match with worksheet A, Column 5 through 8. Worksheet A, Column 9, reclassification subtotal should always equal to \$0.
- An error message will show on the screen if the subtotal does not equal to \$0.

10. What are the three criteria for adding TCM expenses outside the BU to the cost report? What are the three conditions an LGA must meet?

- Three criteria:
 - 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 organizational chart.
 - Costs incurred by the non-TCM BU were not included in the total TCM BU's general ledger.
 - Costs incurred by a non-governmental TCM subcontractor cannot be included under this cost category.
- Three conditions:
 - The expenses were incurred by the qualified TCM staff, such as a direct TCM Case Manager, TCM Supporting Staff, or a direct TCM supervisor.
 - 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.
 - The allowable TCM expense outside of the BU consists of labor cost and direct chargeable non-labor cost incurred by the qualified TCM Staff outside the TCM BU in providing TCM services.

Exercise 3: Worksheet B & C (Question & Answer)

1. What is the purpose of Worksheet B?

How many types of cost allocation methods are included and what is the basis for each allocation?

- The purpose of Worksheet B is for the allocation of TCM BU costs into TCM and Non-TCM cost categories.
- There are three types of cost allocation methods:
 - Indirect Cost Allocation – using direct labor cost as an allocation basis
 - Time Survey Allocation – using TCM Time Survey results
 - General & Administration Allocation – using total direct program cost of a TCM BU

2. What is the purpose of Worksheet C? What data is required for completing Worksheet C?

- The purpose of Worksheet C is to redistribute the PTO percentage from the Time Survey results to TCM, Non-TCM, and General & Admin.
- CMAA/TCM Time Survey for the reporting period is required for completing Worksheet C.

Exercise 4: Worksheet D & D-1 (Question & Answer)

1. What is the purpose of Worksheet D? Which entity should use it?
 - Worksheet D determines if the funding is an eligible CPE for the provision of TCM services for FFP.
 - A governmental entity that provides the TCM services will need to fill out Worksheet D.

2. Should an LGA TCM BU report 100% of revenue/funding recorded in the general ledger of the BU?

What does Total Funding in Column 4 represent?

- Yes, the LGA TCM BU should report 100% of revenue/funding received.
 - Total Funding in Column 4 represents total funding revenue recorded in the general ledger of a TCM BU.
3. How do you determine whether a type of funding is restricted to TCM or Non-TCM?
 - Contract Agreement
 - Financial arrangement
 - Any documents that can help to determine to funding type

4. How to calculate the “% of Funding Allocation to TCM”?

The calculation of “% of Funding Allocation to TCM” is based on different circumstances. The TCM cost report instructions reflect only one example to calculate this percentage.

5. What are the types of adjustments that can be included in Worksheet D-1?

The common adjustments are:

- Adjustments for eliminating funding sources that do not meet CPE requirements
- Adjustments to include funding sources that support direct TCM expenses outside the BU

Exercise 4: Worksheet D & D-1 (Question & Answer)

6. If a governmental entity does not contract out the TCM services, how do you report TCM services provided outside the TCM BU?

The TCM BU needs to report 100% direct TCM expenses on Worksheet A-2 as a cost adjustment; additionally, report funding sources that support direct expenses outside BU cost on Worksheet D-1 as a funding adjustment.

Exercise 5: Worksheet E & E-1 (Question & Answer)

1. What is the purpose of Worksheet E? Can Worksheet D and E be used interchangeably?

- No. Worksheet D and E cannot be used interchangeably although the worksheet structures are similar.
- Worksheet D is designed for governmental entities, such as an LGA or LPE.
- Worksheet E is designed for a non-governmental entity that is eligible for providing TCM services. This entity should maintain a valid service contract with an LGA that is contracted with DHCS in providing TCM services.

2. For a cost report preparer, what source documents are needed to report the information in Worksheet E?

The possible sources to fill out Worksheet E are: LGA TCM contract agreement, LGA funding payments for the service period, third party fund contributor, and the LGA subcontractor's financials, etc.

3. What are the types of adjustments that can be included in Worksheet E-1?

The common adjustments are:

- Adjustments for eliminating a funding source that does not meet CPE requirements
- Adjustments to include a funding source to support the direct TCM expense incurred by an LGA staff who oversees the subcontractor in providing TCM services

4. If an LGA does not provide TCM services itself, how do I report TCM services costs, such as TCM training incurred by the LGA on the cost report?

The LGA will report the LGA funding source supporting the cost as an adjustment on worksheet E-1.