

**DATE:** June 20, 2024 **PPL 24-003**

**TO:** All Local Educational Consortia (LEC), and Local Educational Agency (LEA) Coordinators for the School-Based Medi-Cal Administrative Activities (SMAA) Program

**SUBJECT:** Direct Charge for the SMAA Program

**PURPOSE:** The purpose of this Policy and Procedure letter (PPL) is to clarify direct charge requirements for the SMAA program.

**REFERENCE:** The SMAA Manual [Section 3-3](#), [Section 6-11](#), [Section 6-34](#), and [Section 10-4](#), and The Center for Medicaid and CHIP Services (CMCS) Informational Bulletin "[Information on School-Based Services in Medicaid: Funding, Documentation, and Expanding Services](#)" dated August 18, 2022

**BACKGROUND:**

Direct charge allows individuals to have their salary and benefit costs related to 100 percent of the paid time they spend on a specific SMAA activity code included directly on the SMAA invoice instead of requiring them to participate as a time-survey participant (TSP) in the random moment time-survey (RMTS). In several sections, the [SMAA Manual](#) details the nuances of direct charge, emphasizing its applicability, cost factors, and the importance of aligning with established guidelines and surveys to ensure accurate reporting and reimbursement.

Currently, the SMAA program allows for direct charge staff to be included in the SMAA invoice on Tab 3 for Participant Pool 1 and Tab 4 for Participant Pool 2. However, all Local Educational Agency Medi-Cal Billing Option Program (LEA BOP) practitioners' time is captured through the RMTS and reported on the annual cost report, direct charge staff only applies to SMAA and does not impact the Participant Pool 1 TSP list (see [Section 6-11](#) of the SMAA manual).

In [Section 3-3](#) of the SMAA Manual, direct charge is introduced as a method of invoicing for staff engaged in Medi-Cal eligible activities who can certify 100 percent of their paid time is attributable to Medi-Cal eligible activities. These staff members have the option to directly invoice certain costs, supported by appropriate documentation. Direct charge includes non-salary and overhead costs associated with SMAA reimbursable activities, such as travel, training, printing, and equipment costs. Notably, staff utilizing direct charge are restricted to reporting time for only one SMAA activity. If involved in multiple activities, they must participate in RMTS.

[In Section 6-34](#) of the SMAA Manual, it states that, “Staff that perform SMAA Program Coordination, Claims Administration and Fiscal Coordination (Code 15) are not required to time-survey. However, to qualify for direct charge reimbursement, participants must certify 100 percent of their time spent on these activities and be able to provide documentation that supports this percentage.” It also clarifies that “staff who perform multiple SMAA activities other than administration of the program cannot direct charge.” This reinforces that only staff who work on the administration of a Medicaid program can direct charge and must be able to certify their time.

[Section 10-4](#) of the SMAA Manual further focuses on the Direct Charge Cost pool, encompassing non-federally funded costs linked to staff not participating in RMTS nor associated with any other cost pools. The Direct Charge Worksheet, which is part of the SMAA invoice, serves as the appropriate resource to claim these costs.

In addition to the various sections listed in the SMAA Manual, an [August 18, 2022, CMCS Information Bulletin](#) (page 13) reinforces the use of the RMTS procedure. Most notably, the only staff exempt from mandatory RMTS participation are those whose activities exclusively (100%) benefit the Medicaid program or those entirely geared towards another program or payer. This means that an individual must spend all their time completing work for SMAA, LEA BOP, or another Medicaid program to be eligible to direct charge. If they spend any portion of their time on a non-Medicaid activity, they will not be eligible to direct charge.

## **POLICY:**

Beginning with the submission of State Fiscal Year (SFY) 2024-25 Quarter 1 invoices, direct charge will **ONLY** be allowed for related activity Code 15: Medi-Cal Claims Administration, Coordination, and Training. Additionally, the only individuals that will be allowed to direct charge their salary and benefits are administrative service providers (Participant Pool 2) at the RMTS Administrative Unit<sup>1</sup> level, that can certify 100 percent of their time was spent on activities for the direct benefit of the Medicaid program.

Any individual that submits a direct charge must track 100 percent of their work time throughout the quarter. At the end of the quarter, they must review their records to determine the percentage of time that was spent on related SMAA activity Code 15. Every individual submitting a direct charge must also complete the Certified Time Factor (CTF) Attachment A to certify the percentage claimed. The CTF calculation is embedded within the direct charge backup tab in the current “2020-21 Q2+” SMAA invoice template and will be a unique tab in future SMAA invoice templates. Invoices received without a CTF will not be approved by SMAA. All backup documentation

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<sup>1</sup> RMTS Administrative Units are LECs and Los Angeles Unified School District.



supporting direct charge costs and percentages claimed on CTFs must be kept in the RMTS Administrative Unit's audit file.

Attachment A accompanies this PPL.

If you have any questions or require further assistance regarding this PPL, please contact the SMAA mailbox at [SMAA@DHCS.CA.GOV](mailto:SMAA@DHCS.CA.GOV).

Sincerely,

**ORIGINAL SIGNED BY BRIAN FITZGERALD**

Brian Fitzgerald, Chief  
Local Governmental Financing Division  
Department of Health Care Services

Attachment A: Certified Time Factor – Staff Certification of Direct Charge Time

