

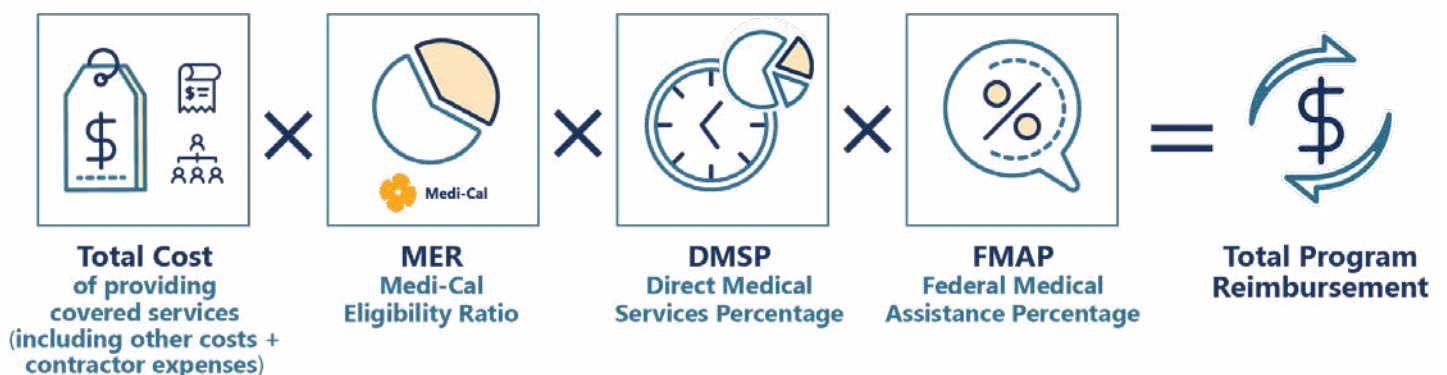
# Tips for Identifying Allowable Cost and Calculating Total Program Reimbursement

The Local Educational Agency Medi-Cal Billing Option Program (LEA BOP) uses a Certified Public Expenditure cost reimbursement process. It is important for LEA BOP Coordinators to understand how to calculate both the total program cost and the total Medi-Cal allowable cost. Familiarizing yourself with some of these important nuances is essential in maximizing the impact of the program. The reporting mechanism that is used to determine final settlement from the Department of Health Care Services (DHCS) is the Cost and Reimbursement Comparison Schedule (CRCS), and it is submitted annually. Please see the [CRCS Resources page](#) for more information.

## How to Calculate Total Medi-Cal Allowable Costs

The formula that the CRCS applies to each participating LEA identifies the LEA's **Total Medi-Cal Allowable Costs** for each Fiscal Year. As shown in Graphic 1, the final reimbursement amount (total allowable Medi-Cal costs) is calculated by inputting the LEA's Total Costs of providing covered services and then discounting that amount by different ratios and percentages. This includes the Medi-Cal Eligibility Ratio (MER), the Direct Medical Services Percentage (DMSP), and Federal Medical Assistance Percentages (FMAPs). The final stage of the CRCS is to reconcile the total allowable Medi-Cal costs with any interim claiming, which may result in a payment to the LEA or a payment due to the DHCS in two stages, an interim settlement and a final settlement.

**Graphic 1. LEA BOP Cost Reimbursement Formula**



**Total Cost of Providing Covered Services (Total Cost)**

The Total Cost of providing covered services by the LEA is the starting point of determining precisely how much is eligible to be reimbursed. This includes expenses incurred by the LEA in providing covered services (e.g., costs associated with nursing services, such as the salaries and benefits of the nursing staff, and other costs related to that service such as supplies, equipment, and such). Generally, the allowable cost categories are salary and benefits of employed practitioners, any contracts with external eligible practitioners, and some other specific costs (see below for more detail).

**Medi-Cal Eligibility Ratio (MER)**

The MER represents a population ratio of an LEA's total Medi-Cal enrolled students divided by the total number of the student population. This percentage is used to allocate the costs of Medi-Cal allowable costs.

**Direct Medical Services Percentage (DMSP)**

The DMSP represents the percentage of time spent by employed practitioners providing services covered by LEA BOP. This percentage is obtained from the Random Moment Time Survey (RMTS), which is a time study tool used to determine the amount of time spent on activities throughout a participant's workday. The DMSP is based on the LEA's employed practitioners who are on the Time Survey Participant (TSP) list and participate in the RMTS.

**Federal Medical Assistance Percentage (FMAP)**

The FMAP represents the federal government's share of a state's expenditures for Medicaid. The FMAP is determined annually for each state. This calculation is typically 50 percent but may vary.

### Other Allowable Costs and Contractor Expenses

As mentioned earlier, the cost categories for reimbursement include salary and benefits of practitioners employed by the LEA and contracts for external practitioners. In addition, there are some other specific costs associated with the LEA BOP that can also be included in the Total Cost calculation. All these additional costs must be for the direct provision of health care services by qualified practitioners.

The following examples are allowed on the CRCS and will contribute to the Total Program Reimbursement:

- » Books and other reference materials related to services covered by LEA BOP.
- » Psychological, speech, and other test materials.
- » Specialized chairs used by students with identified health needs.
- » Practitioner mileage to and from provide covered services to students.
- » Conference expenditures such as rental cars, travel expenses, and registration fees.
- » Dues and membership expenditures for practitioner organizations covered by LEA BOP.
- » Employer-provided cell phones for eligible practitioners.

It is important to also include contracted practitioners in your LEA's Total Cost calculation. Please see the [Tips for Using Contractors as LEA BOP Practitioners](#) resource for more information on contracted practitioners. Contractors may not bill Medi-Cal independently if the LEA is billing through LEA BOP.

### Example

As a reminder, DHCS cannot reimburse the LEA more than the Total Cost. In the following example, we will explore how LEAs can estimate their Total Program Reimbursement. By using the formula components such as Total Cost, MER, DMSP, and FMAP, this example illustrates the process LEAs use to determine how to understand funding while providing essential services to eligible students. Your LEA's program structure may be reflected in only one of these calculations or a combination of the three. Please use the equations that are appropriate and combine the program reimbursement amounts (listed previously and in the examples below) to estimate your LEA's Medi-Cal total allowable costs. Please note that in the case of contracted practitioners, the DMSP is not applied because contracted practitioners do not participate in the RMTS.

## Graphic 2. Calculation Example

### LEA Employees

$$\begin{array}{|c|} \hline \text{LEA Employees} \\ \hline \text{Total Cost} \\ \hline \$200,000 \\ \hline \end{array}
 \times \text{MER } 40\%
 \times \text{DMSP } 51\%
 \times \text{FMAP } 50\%
 =
 \begin{array}{|c|} \hline \text{Total Medi-Cal} \\ \hline \text{Allowable Cost} \\ \hline \$20,400 \\ \hline \end{array}$$


### Contractors

$$\begin{array}{|c|} \hline \text{Contractor Expenses} \\ \hline \text{Total Cost} \\ \hline \$50,000 \\ \hline \end{array}
 \times \text{MER } 40\%
 \times \text{FMAP } 50\%
 =
 \begin{array}{|c|} \hline \text{Total Medi-Cal} \\ \hline \text{Allowable Cost} \\ \hline \$10,000 \\ \hline \end{array}$$


### Other Costs

$$\begin{array}{|c|} \hline \text{Other Expenses} \\ \hline \text{Total Cost} \\ \hline \$50,000 \\ \hline \end{array}
 \times \text{MER } 40\%
 \times \text{DMSP } 51\%
 \times \text{FMAP } 50\%
 =
 \begin{array}{|c|} \hline \text{Total Medi-Cal} \\ \hline \text{Allowable Cost} \\ \hline \$5,100 \\ \hline \end{array}$$


As you review these graphics, please keep in mind that factors like indirect cost rate, changes in FMAP, and annual variations in MER and DMSP are not accounted for in this example.