

Final Results of the
School-Based Medi-Cal Administrative Activities (SMAA) Program
Deferral Settlement Agreement and Backcasting Methodology

EXECUTIVE SUMMARY:

From the beginning of the deferral period to the end of the deferral period, the results of backcasting show a progression toward a greater degree of compliance with 42 Code of Federal Regulations (CFR) 433.15 (B)(7) in terms of claiming for time and activities that were necessary for proper and efficient administration of the State plan. Additionally, the results for each group of invoice claims showed a greater degree of progression toward additional payments versus recoupments as the invoice claims proceeded toward the later fiscal years. This result is indicative of a greater degree of fidelity toward proper administrative claiming at all levels of the program. Additionally, these results can be attributed to a greater degree of oversight as the invoice development and review components identified during the Reasonableness Test Criteria period were more consistently applied to all SMAA claims prior to final submission to the Department of Health Care Services (DHCS).

There were 8,413 deferred invoice claims received from 869 claiming units¹ totaling \$398,517,209. These claims received a total of \$188,745,818 in interim Settlement payments. 4,140 or 49% of invoice claims from 394 (45%) claiming units received additional payments of \$47,387,914, while 4,273 or 51% of invoice claims from 475 (55%) claiming units remitted additional payments of (\$28,841,264). This created a net backcasting amount of \$17,546,650 for a total final payment of \$206,292,468 or 52% of the total claims submitted.

BACKGROUND

In June 2012, the Centers for Medicare and Medicaid Services (CMS) issued a report to DHCS which detailed the results of a Financial Management Review (FMR) of the SMAA program for the State fiscal year July 1, 2010 through June 30, 2011. CMS reviewed hundreds of invoice claims submitted for reimbursement during this period and performed site visits on three distinct claiming units to gain a better understanding of the school-based administrative claiming process, and to determine if the amounts submitted for reimbursement were in compliance with the provisions of 42 CFR 433.15 (B)(7), which specifies that claimable activities must be “necessary for proper and efficient administration of the State plan.” The FMR returned four findings summarized in the table below.

In addition to establishing the FMR, which focused largely on policy recommendations, CMS also placed the SMAA program on deferral whereby the program was prohibited from claiming Federal Financial Participation (FFP) reimbursement for claims submitted during the deferral period until all of the findings and recommendations included in the report were satisfactorily resolved. The full deferral period was effective beginning with SFY 2009-10 Quarter (Q) 1 and extended through SFY 2014-15 Q2.

¹ Total number of claiming units may be inflated due to switching from LGAs to LECs during the school year.

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	Findings	CMS Recommendation	DHCS Response
1	Invoices did not comply with 42 CFR 433.15(b)(7) and OMB A-87.	Implement internal controls to ensure that claiming units are not directing participants to perform specific activities or utilize time during the time study period in order to inflate claims for Federal Financial Participation (FFP).	Issued Policy and Procedure Letter 13-012 Reasonableness Test Criteria (RTC) with the express intent of ensuring that all costs submitted for reimbursement meet the "reasonable and necessary" of 42 CFR 433.15 (b)(7).
2	Lack of appropriate internal controls to ensure compliance with 42 CFR 433.15 (B)(7) and OMB A-87.	Implement a reasonableness review to ensure the time studies and invoices are reasonable and allocable and that proper coding is utilized.	Implemented a new cost allocation methodology based on a Random Moment Time Survey (RMTS) methodology.
3	Lack of operating procedures to ensure that there are no duplicated costs.	Implement internal controls to ensure administrative costs are not duplicative of cost claimed for direct services.	Establish a common cost allocation methodology between the direct medical services and administrative claiming programs.
4	Approved claiming plan does not comply with 42 CFR 433.15 (B)(7) and OMB A-87.	Amend the school-based administrative claiming plan, including the time study used as a basis for developing costs.	Issued a revised administrative claiming guide and replaced the worker log time survey with the new RMTS methodology.

Procedures to resolve FMR Findings #3, and #4 were established relatively quickly and included: 1) implementation of a new Random Moment Time Survey (RMTS) methodology; 2) eventual integration of the Local Educational Agency (LEA) Medi-Cal Billing Option Program (BOP) into the RMTS process; and 3) revising the existing SMAA Manual. However, resolving Findings #1 and #2 were more problematic as they required the development and implementation of an entirely new invoice review process in order to thoroughly assess the specific activities being performed on the time surveys associated with the deferred claims, and to verify the total amount of time that was being claimed to perform those activities.

REASONABLENESS TEST CRITERIA (RTC)

The RTC process was implemented in response to Finding #2 and was developed to assess the actual time survey results that lead to the final invoice claim. The RTC established objective criteria by which to measure compliance with the principles of federal claiming and required LEAs to apply specific criteria to assess each deferred invoice submitted to DHCS during the deferral period. The RTC was applied to each LEA's Time Survey Participant (TSP) Universe and had three components that required a claiming unit to: 1) eliminate specified job classifications from the TSP Universe; 2) limit the total number of clerical and administrative positions included in the TSP Universe; and 3) apply benchmark percentage limits to the overall time survey results for each billable code claimed during the time survey period.

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The RTC process was an effective tool for invoice review but proved to be extremely difficult and time consuming to maintain throughout the entire invoice review period due to extensive documentation submission requirements and was ultimately discontinued. However, the individual components of the RTC offered an effective process for developing the invoice claims prior to submission. This led to a new invoice development procedure beginning with the submission of SFY 2012-13 claims and continuing through the end of the deferral period with SFY 2014-15 Q2 claims. The results of this new invoice review and development procedure indicated that many of the issues which led to the findings in the FMR, and ultimately the program deferral, were systemic throughout the program and would lead to wholesale change in the manner and methods used to administer the program at every level.

SETTLEMENT AGREEMENT

Time and resource considerations rendered the continuation of the RTC invoice review process impractical, which resulted in the implementation of a CMS Deferral Settlement Agreement (Settlement). The Settlement directed DHCS to issue interim settlement payments for all deferred claims using a sliding scale percentage based on total claim amount, and then reconcile, or backcast, those interim payments to either recoup or remit final payments. Based on the full deferral period, a total of 8,413 deferred invoice claims were subject to the Settlement. To facilitate tracking and processing, these claims were divided into three groups based on fiscal year and each Group had a slightly different Settlement percentage based on when the claims were submitted:

		Settlement Percentages per Total Claim		
Group	Fiscal Year	Under \$25,000	\$25,001 - \$50,000	Over \$50,001
1	2009-10 - 2010-11	100%	75% or \$25,000	40%
2	2011-12* - 2012-13	90%	75%	40%
3	2013-14 - 2014-15 Q2	90%	75%	40%
* FY 2011-12 Claims received the same reimbursement percentages as Group 1				

BACKCASTING METHODOLOGY

DHCS developed a backcasting methodology to reconcile final costs for all deferred invoice claims. The backcasting process was based on specific criteria provided by CMS and included:

- 1) The collection of four quarters of the RMTS data;
- 2) Development of a clear timeline for the reconciliation of all deferred claims;
- 3) The removal of all costs associated with any job classifications not included on the approved participant list;
- 4) The removal of any vendor fees in excess of 15% of the total annual claims for each claiming unit; and
- 5) The return of any overpayments identified through this process to CMS in accordance with the agreed upon timeline.

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The four quarters of RMTS data used were SFY 2014-15 Q3 and Q4 and FY 2015-16 Q1 and Q2. The RMTS results from these four quarters were averaged together for each region to establish a new set of administrative claiming activity code percentages which were applied to each claiming unit within their respective regions.

In addition to the total salary and benefit costs associated with the TSPs from each claiming unit, the SMAA activity code percentages form the foundation of the quarterly SMAA invoice claim. To establish consistency throughout the process, these new regional RMTS backcasting activity code percentages were applied universally to all deferred invoice claims within a particular region and multiplied against the total adjusted TSP costs for each claiming unit in order to calculate a new backcasted claim amount. The backcasted claim amount was compared to the interim Settlement payment minus any excess vendor fees to determine a final payment or recoupment for each deferred claim. Together, the RMTS data and the adjusted TSP costs served as a new set of control variables to guard against the apparent overbilling identified in the FMR, and served to bring the backcasted deferred claims into compliance with 42 CFR 433.15 (B)(7).

The backcasting process was completed by the scheduled date of June 30, 2019, and all additional backcasting settlement payments have been issued to the LEAs. Additionally, DHCS has returned all backcasting recoupments to CMS, however, there are 28 claiming units for which their Prop 98 allocations were insufficient to completely resolve their outstanding balances from backcasting. As a result, DHCS is currently in the process of developing a procedure to recoup those additional funds. Moving forward, the quality controls that are built into the RMTS methodology will help to guard against repeating the issues that were identified in the FMR, and will help to minimize the need for additional program deferrals. The final results of the backcasting process are detailed in the table on the following page.

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Total Deferred Claims Receiving Backcasting Payments	4140
Total Deferred Claims Receiving Backcasting Recoupment	4273
Total Deferred Claims Subject to Deferral Settlement Agreement	8,413
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Total Original Claim Amount All Deferred Claims	\$ 398,517,209
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Total Interim Settlement Payments All Deferred Claims	\$ 188,745,818
Total Backcasting Payments All Deferred Claims	\$ 47,387,914
Total Backcasting Recoupments All Deferred Claims	\$ (29,841,264)
Total Net Backcasting Amount All Deferred Claims	\$ 17,546,650
Total Reimbursement for All Claims	\$ 206,292,468
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Total Backcasting Payments Group 1	\$ 2,840,498.80
Total Backcasting Payments Group 2	\$ 19,739,228.04
Total Backcasting Payments Group 3	\$ 24,808,186.70
Total Backcasting Payments All Deferred Claims	\$ 47,387,913.54
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Total Backcasting Recoupments Group 1	\$ (11,151,680.80)
Total Backcasting Recoupments Group 2	\$ (14,394,174.24)
Total Backcasting Recoupments Group 3	\$ (4,295,408.63)
Total Backcasting Recoupments All Deferred Claims	\$ (29,841,263.67)
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Percentage of Claiming Units Receiving Backcasting Payments Group 1	28%
Percentage of Claiming Units Receiving Backcasting Payments Group 2	37%
Percentage of Claiming Units Receiving Backcasting Payments Group 3	62%
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Percentage of Claiming Units Remitting Backcasting Recoupment Group 1	72%
Percentage of Claiming Units Remitting Backcasting Recoupment Group 2	63%
Percentage of Claiming Units Remitting Backcasting Recoupment Group 3	38%