DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706
Division of Medicaid & Children's Health Operations

CENTERS FOR MEDICARE & MEDICAID SERVICES

Pilar Williams
Deputy Director, Health Care Financing
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

OCT 2 3 2013

Dear Ms. Williams:

In a letter dated September 18, 2013, the Department of Health Care Services (DHCS) requested CMS' approval of the following:

1) A methodology developed by DHCS to resolve all deferred costs for school based administrative claims. These deferrals cover costs incurred prior to July 1, 2012 which were claimed by DHCS on the CMS-64 reports after federal fiscal year 2011, and
2) A request to permit interim claiming for school based administrative costs incurred during State Fiscal Year (SFY) 2013/2014.

Subject to the conditions outlined below, CMS is approving both of these requests. Please note that the release of any deferred claims does not represent a final determination of allowability since these costs are still subject to further review by CMS and other cognizant federal agencies.

Deferred Claims

CMS is approving DHCS' methodology for establishing reasonableness limits for all deferred invoices for costs incurred prior to July 1, 2012 which were claimed by DHCS on the CMS-64 reports after federal fiscal year 2011. Each of these invoices must adhere to DHCS' reasonableness test submitted by each LEA/LEC to DHCS within 6 months, which is documented in the attached Policy and Procedures Letter (PPL), unless otherwise agreed to by CMS and DHCS. All necessary claiming adjustments resulting from this process must be input on the CMS-64 report no later than the quarter ending September 30, 2014. Any remaining unsupported claims after DHCS' submission of its September 30, 2014 CMS-64 will be disallowed.

SFY 2013/2014 Interim Claiming

CMS is approving DHCS' request to use the existing school based administrative claiming plan approved in 2003 as an interim claiming methodology for costs incurred during State Fiscal Year (SFY) 2013/14, subject to the following conditions:

1) DHCS must implement the changes made to Code 15 for SFY 12/13 interim claiming. Therefore, the time related to the completion of the time study must be coded as a general administrative cost and provide training to communicate this requirement.

2) The reasonableness test described and documented in the attached PPL will be applied to all interim claims for SFY 13/14.

3) DHCS must adhere to the attached milestone document in order to have a new plan in place for SFY 14/15. As described within that document, failure to comply with the agreed upon milestones will result in the suspension of interim claiming for SFY 13/14.

4) The State agrees to review and verify all interim claims submitted.

5) All interim claims for SFY 13/14 will be reconciled to allowable costs under the revised statewide claiming plan using a backcasting methodology to be developed by DHCS after SFY 14/15.

6) Any interim claims submitted by DHCS for FFP are subject to review and/or audit and the State is at risk.

7) DHCS will need to seek CMS approval for any variation or changes on this interim claiming request.

8) DHCS agrees to abide by the terms and conditions in this email and will confirm as such in an email and/or letter to CMS RO.

This approval letter does not relieve the state of its responsibility to comply with changes in federal law or regulations, and for the state to ensure that claims for federal funding are consistent with all applicable requirements.

We appreciate the work and time your staff has devoted to developing this plan and resolving these longstanding issues.

Any questions concerning this matter may be directed to Brian Burdullis at (916) 498-6523 or at his email address: Brian.Burdullis@cms.hhs.gov.

Sincerely,

Gloria Nagle, Ph.D., MPA
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Attachment

cc: Toby Douglas, Director, DHCS, MS0000
Melanie Pascua, Audit Coordinator, Audits & Investigations, DHCS, Suite 120

DHCS
TOBY DOUGLAS
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services

EDMUND G. BROWN JR.
GOVERNOR

DATE:

PPL No. 13-XXX

TO: Local Educational Consortia (LEC) and
Local Governmental Agencies (LGA) for Local Education Agency (LEA)
School-Based Medi-Cal Administrative Activities (SMAA)

SUBJECT: **Reasonableness Test Criteria (RTC)**

The purpose of this Policy and Procedure Letter (PPL) is to establish the parameters for LEAs, LECs and LGAs to apply the Reasonableness Test Criteria (RTC) developed by the Department of Health Care Services (DHCS) in accordance with the Office of Management and Budget (OMB) circular A-87. OMB A-87 requires DHCS to ensure that all costs submitted for reimbursement are "necessary and reasonable for proper and efficient performance and administration of Federal awards" (OMB A-87(C)(1)(a)). All invoices submitted to DHCS during the current deferral period (including State Fiscal Year (SFY) 2010-2011, SFY 2011-2012, and SFY 2012-2013) are subject to the RTC. The RTC must be applied to the individual invoice identified for the deferral period in addition to all subsequent invoices submitted to DHCS for dates of service through June 30, 2013. Once the RTC has been applied to these invoices and the results are approved, the invoices will be processed for payment.

The RTC is comprised of a set of objective criteria by which to measure compliance with OMB A-87 and, 42 Code of Federal Regulation (CFR) 433.15(B)(7) which allows the state to claim 50% reimbursement for activities deemed necessary for the proper and efficient administration of federal awards. The RTC has three components: 1) eliminate specified job classifications from the participant universe; 2) limit the total number of clerical, administrative and support staff included in the participant universe; and 3) apply percentage limits to the overall Time Survey results for each billable code claimed during the Time Survey period. The procedure for applying the RTC is as follows:

Step 1: Review all job classifications in the participant universe for a given invoice and remove all classifications not listed in Attachment A: Time Survey Participant Universe Authorized Job Classifications from the Claiming Unit Functions Grid for that invoice. Note: Should there be a need for specific job classifications not listed on the Time Survey Participant Universe Authorized Positions list, the LEA must complete the RTC Deferral Certification Form (available at http://www.dhcs.ca.gov/provgovpart/Pages/SMAA.aspx) to justify the additional positions and attach a job duty statement.

Safety Net Financing Division
1501 Capitol Avenue, MS 4603, P.O. Box 997436
Sacramento, CA 95899-7436
Phone: (916) 552-9113 Fax: (916) 324-0738
www.dhcs.ca.gov

Step 2: Review all clerical and administrative job classifications in the participant universe and limit the overall number of positions to no more than twenty percent of the total number of job classifications in the participant universe. In other words, in the Time Survey Participant Universe there should be no more than two clerical/administration positions for every ten provider/special education/support positions. Note: Should there be a need for more clerical positions than twenty percent of the total number of positions in the participant universe, the LEA must complete the RTC Deferral Certification Form to justify the additional positions and attach a duty statement.

Step 3: Review the overall Time Survey results (after the positions identified in Steps 1 and 2 above have been eliminated or reduced) and compare the results to the established benchmark percentages which will be used to determine the level of detail that will need to be reviewed in the overall Time Survey results.

Benchmark Time Survey Percentages:

Code 4	4%
Code 6	2%
Code 8	8%
Code 10	3%
Code 12	3%
Code 14	3%
Code 15	4%
Code 16	10%

Note: If the original invoice does not contain unauthorized job classifications AND the overall Time Survey percentages are at or below the benchmark percentages, AND the vendor fees (if claimed) are below the 15% limit, then the invoice complies with the RTC and may be submitted (along with the Time Survey results) with no further changes.

If, after removing all unauthorized positions, the percentages for each code are at or below the benchmark criteria, complete the RTC Deferral Certification form and submit a copy of the form along with the Time Survey results for the invoice to DHCS for final review and approval.

If, after removing all unauthorized positions, some or all of the percentages for the codes are above the benchmark percentage(s), justify the overage by applying the following criteria using the RTC Deferral Certification Form:
(Refer to Attachment A: Time Survey Participant Universe Authorized Positions).

- Are a majority of the participants Medi-Cal providers in Group 1 or Group 2 (special ed.)? Describe the activities performed.

- Are the participants in a health support position such as in Group 5? Describe the activities performed.

- Are the participants housed in a family resource center (FRC)? A family resource center is a hub for linking families to Medi-Cal covered services and social services. Many FRCs have certified application assistors specifically for the Medi-Cal application. Describe the activities performed.

Vendor Fee Limits

The RTC extends to the vendor fees that are charged to the LEA. If the vendor fees are being claimed for reimbursement on any of the quarterly invoice(s), the RTC establishes limits on those fees depending on the details of the sub-recipient contract.

Per-person fee reimbursement will be limited to only the job classifications allowed on the final invoice, regardless of the number of participants who time-studied or who were trained. If the application of the RTC resulted in the disallowance of specific job classifications from the Time Study, then the vendor fees being claimed for reimbursement must be reduced by a concomitant amount.

Percentage-based fee or flat fee reimbursement will be limited to no more than fifteen percent of the total amount claimed (after the application of the RTC) during a given fiscal year. If any vendor fees being claimed relative to any quarterly invoice(s) are greater than the fifteen percent limit, and the invoice was paid by DHCS, then the overage must be reimbursed to DHCS. If the invoice has not been paid, the amount must be reduced below the limit. Note: Contingency fee contracts are strictly prohibited by OMB A-87.

Once the LEA has applied the RTC to the invoices identified for the deferral period, the LEA will complete and sign the RTC Deferral Certification Form and submit the form along with a copy of the overall Time Survey results to their LEC/LGA. The RTC Deferral Certification Form is used to identify and explain any results that exceed the Benchmark Time Survey Percentages for any billable code as well as any additional positions that may be required. The LEC/LGA will review and sign the form and forward the entire package to DHCS for review and approval.

DHCS will review the RTC Deferral Certification Form and the associated Time Survey results and, if approved, the package will be forwarded to the Centers for Medicare and Medicaid Services (CMS) for final approval. If the application of the RTC resulted in changes to the overall Time Survey such as the removal of specific positions, a revised invoice will be required to be submitted for the deferral invoice as well as all subsequent invoices covered by the deferral period.

All materials must be submitted to DHCS no later than six months from the date of this PPL. No extensions will be granted. The 6-month window applies to the deferred invoices only. Any RTC compliance packages received after xx/xx/2013 will not be approved and the LEA will forfeit their reimbursement.

All of the necessary forms can be found by clicking on the Reasonableness Test Criteria link on the SMAA website at http://www.dhcs.ca.gov/provgovpart/Pages/SMAA.aspx.

If you have any questions or require further assistance regarding this PPL, please contact Ms. Carolyn Cain-Smith, Chief, School-Based MAA Unit at (916) 552-9049, Carolyn.Cain-Smith@dhcs.ca.gov.

Sincerely,

Jennifer Brooks, Acting Chief
Safety Net Financing Division

Department of Health Care Services (DHCS) Milestones and Timeline [1] **FINAL**
School-Based Medi-Cal Administrative Activities (SB MAA) Program

August 2013	September 2013	October 2013
15 – Reasonableness Test Criteria Meeting with CMS. DHCS presented CMS with three reasonableness test scenarios (Kern County LEC Review Process, Authorized Job Classifications, and Cost Per Medi-Cal Eligible –Regular General Teachers and County Population. CMS has requested DHCS provide write-ups of the parameters of the unauthorized job classifications and Cost Per Medi-Cal Eligible – County Population. **21**- Meet with CMS to discuss write-ups of the parameters of the unauthorized job classifications, Cost Per Medi-Cal Eligible-County Population, and "Draft" Milestones and Timeline. CMS recommended DHCS develop a reasonableness test criteria based on Authorized Job Classifications w/codes, claiming data, and vendor fees using Kern County methodology as "model". **28** – DHCS submits "Final" Milestones and Timeline document to CMS, based on CMS feedback.	**6** – DHCS submits to CMS a "draft" proposal for reasonableness test criteria based on Authorized Job Classifications – and the Kern County model. CMS staff acknowledge intent to recommend leadership approve the "Final" Milestones and Timeline document and approve Interim Claiming to resume for 2013/14 State Fiscal Year (SFY). **13** – CMS will recommend to leadership approval of "Final" Milestones and Timeline document and reasonableness test. **18** – DHCS sends formal submission of reasonableness test, FY 2013-14 claiming plan and Milestones/Timeline document and received CMS approval by the 26th. **26** - DHCS issues Policy and Procedure Letter (PPL) regarding 2013-14 interim claiming. **26** - DHCS issues a PPL notifying LGAs/LECs and LGAs of the approved reasonableness test criteria. DHCS gives the LECs/LGAs 6 months to apply the test and resubmit deferred invoices. CMS gives DHCS 6 months to submit deferred invoices to CMS. CMS will notify DHCS within 30 days of approval to release payment for deferred invoices. DHCS will	**1** – Meet with LEC and LGA Co-Chairs to review the draft revised statewide claiming plan and new time survey methodology prior to submission to CMS for review and approval. **7 - 15** – DHCS receives responses from LEC and LGA Co-Chairs on the draft revised statewide claiming plan and new time survey methodology. DHCS makes changes and prepare for submission to CMS for review. **21** – DHCS submits draft revised statewide claiming plan and new time survey methodology with training materials to CMS for review and comments.

	notify accounting section via memo of adjustments to CMS-64 for the quarters ending December 31, 2011, March 31, 2012, June 30, 2012 and September 30, 2012. **3 - 30** – DHCS continue to refine and develop draft RMTS statewide claiming plan and listed items as directed by CMS, to be approved by CMS beginning July 1, 2014.	
November 2013	**December 2013**	**January 2014**
1 – DHCS receives comments from CMS on draft revised statewide claiming plan and new time survey methodology submitted October 21, 2013. **13** – DHCS makes changes as required by CMS and resubmits draft revised statewide claiming plan and new RMTS time survey methodology to CMS.	**5** – DHCS receives second review comments from CMS on the draft revised statewide claiming plan, new time survey methodology, and training materials. **18** – DHCS makes changes, if necessary, and resubmits to CMS for review and approval.	**8** - DHCS receives comments from CMS on draft revised statewide claiming plan, new time survey methodology, and training materials. **17** – DHCS makes changes as required by CMS and resubmits revised statewide claiming plan, new time survey methodology, and training materials for final approval.

Department of Health Care Services (DHCS) Milestones and Timeline [1] **FINAL**
School-Based Medi-Cal Administrative Activities (SB MAA) Program

February 2014	March 2014	April 2014
1 – 28 – DHCS works with the LEC and LGA Co-Chairs and Advisory Committees on RMTS software development.	**7** – DHCS presents RMTS software demonstration to CMS and LEC and LGA Co-Chairs for review and comments. **12** – CMS responds to RMTS software demonstration. DHCS work with the LEC and LGA Co-Chairs and Advisory Committees to make changes/improvements.	**9** – DHCS conducts final RMTS software demonstration to CMS and LEC and LGA Co-Chairs for final approval. **16** – CMS grants DHCS conditional approval of revised statewide claiming plan, new time survey methodology, and training materials.
May 2014	**June 2014**	**July 2014**
1 – LEC and LGA MAA Coordinators install state approved RMTS software with all participating LEAs/school claiming units. **9** – DHCS conducts a trial RMTS software demonstration with LEC and LGA Coordinators to ensure proper functioning of the system. And DHCS' ability to access at all times for oversight and monitoring.	**2** – CMS issues a conditional letter of approval to California for the new revised statewide claiming plan, new time survey methodology, and training materials. **6** – DHCS conducts annual SB MAA Program Training on RMTS for the 2014/15 SFY.	**1** – 2014/15 SFY Time Survey begins with the implementation of the RMTS methodology. DHCS develops a back casting methodology to CMS once data is available after the close of the 2014/15 SFY, based on data collected through RMTS to reconcile prior period costs.

[1/] Upon agreement between DHCS and CMS, Milestones and Timeline dates may change. DHCS and CMS recognize that some of the dates in this document require clearance through CMS leadership team, which may result in possible delays and the need to adjust any other impacted milestones.

[2/] If milestones are not met by the specified dates, CMS will discontinue the interim claiming unless agreement has been reached to revise milestone date by both parties.

[3/] DHCS will schedule monthly meetings for guidance and direction as needed.