

## Enclosure 1: Reasonable Administrative Costs Policy

This resource documents the California Department of Health Care Services' (DHCS) Reasonable Administrative Costs (RAC) Policy for the California Opioid Settlements. This RAC policy applies to all Participating Subdivisions receiving funds from the California Abatement Accounts Fund, as specified in the DHCS Behavioral Health Information Notice No.: 24-002 CA Abatement Accounts Fund.

### **POLICY**

Pursuant to the National Opioid Settlement Agreements, qualifying expenditures may include reasonable related administrative expenses incurred in administering the distributions for opioid remediation uses identified in [Exhibit E](#) and, as applicable, California's High Impact Abatement Activities (HIAA).<sup>1</sup> DHCS considers administrative expenses not identifiable with a specific project or benefitting more than one cost objective, such as overhead, general operations, or organization-wide activities of an agency, to be indirect costs. DHCS is adopting a formal RAC policy, whereby Participating Subdivisions receiving funds from the CA Abatement Accounts Fund are required to adhere to the following cost procedures. Participating Subdivisions with questions regarding the definition of terms may refer to the California Opioid Settlements Glossary (Enclosure 2).

#### ***Indirect Costs***

Participating Subdivisions may use funds received from the CA Abatement Accounts Fund to cover indirect costs, both for the Participating Subdivision and any subrecipients contracted by the Participating Subdivision to implement allowable opioid remediation activities. Total indirect costs for a Participating Subdivision and its funded subrecipients shall be reasonable and not exceed actual costs or ten (10) percent of the total allocation, whichever is less. Costs in excess of actual costs or ten (10) percent of the total allocation are presumed unreasonable but may be allowed with proper supporting documentation to demonstrate the reasonableness of the costs incurred.

Indirect costs are not considered to meet the intent of the HIAA outlined in the California State-Subdivision Agreements and the DHCS Behavioral Health Information Notice No.: 24-002 CA Abatement Accounts Fund.

#### ***Direct Costs***

CA Abatement Accounts Funds received by Participating Subdivisions may be used for direct costs to administer an opioid remediation activity listed in one or more of the areas described in [Exhibit E](#), and, as applicable, California's HIAA. Costs incurred that are necessary to implement an eligible opioid remediation activity may be directly charged to the provision of those services, including related administrative activities. For

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<sup>1</sup> Opioid settlements in this instance refers to final and proposed agreements between the State of California and opioid distributors and manufacturers: Janssen Pharmaceuticals and Johnson & Johnson (collectively Janssen); McKesson, Cardinal Health, and AmerisourceBergen (collectively, Distributors); Teva; Allergan; and pharmacies Walgreens, Walmart, and CVS (collectively, Pharmacies), as well as any future opioid settlement agreements which follow the structure of these agreements.

instance, a Participating Subdivision may allocate program staff time to draft a request for applications for the purpose of identifying a subrecipient to implement an eligible remediation activity. In this instance, program staff salaries to complete this activity may be considered a direct cost. [Exhibit E](#) provides examples of administrative activities that may qualify as a direct cost (See, Section J (1-4)).

Expenses can be considered direct costs **only** if all the following conditions are met:

1. Costs that are incurred are directly chargeable and integral to an approved opioid remediation project or activity, as listed in [Exhibit E](#), and as applicable, California's HIAA;
2. Personnel costs can be specifically identified with the opioid remediation project or activity;
3. Costs are reasonable and proportional to the time staff spend on the opioid remediation project or activity;
4. Costs are explicitly included in the program budget and can be segregated by the type of expense (e.g., line items) with a high degree of accuracy;
5. Costs are not recovered as indirect costs (i.e., double charging); and
6. Costs can be delineated by fund source (e.g., Janssen vs. Distributors Settlement) and fund type (e.g., CA Abatement Accounts Fund vs. CA Subdivision Fund).

### **Reporting Costs**

For financial reporting purposes, Participating Subdivisions must maintain books, records, documents, and other evidence to properly reflect the rationale for indirect and direct costs related to their opioid remediation activities funded by the CA Abatement Accounts Fund. Examples include, but are not limited to, time keeping records, evidence of programmatic efforts (e.g., marketing for events hosted/attended), and local accounting policies, procedures, and practices. Participating Subdivisions should preserve their records for a minimum of five years after the expenditure is reported to DHCS. If DHCS determines that a CA Participating Subdivision's use of CA Abatement Accounts Funds is inconsistent with eligible uses, records may be requested as part of a meet and confer, an audit, or legal action.

### **REFERENCE**

[Distributors Settlement Agreement](#)

[Janssen Settlement Agreement](#)

[California State-Subdivision Agreement](#) – Allergan Settlement

[California State-Subdivision Agreement](#) – CVS Settlement

[California State-Subdivision Agreement](#) – Distributors Settlement

[California State-Subdivision Agreement](#) – Janssen Settlement

[California State-Subdivision Agreement](#) – Walgreens Settlement

[California State-Subdivision Agreement](#) – Walmart Settlement

[California State-Subdivision Agreement](#) – Teva Settlement

[Government Code \(GOV\), Title 2, Division 3, Part 2, Chapter 6, Article 2, Section 12534 – Opioid Settlement Fund](#)