

Medicaid Cost Report and
Cost Settlement Training
for
School Based Health Services
FY 2016 - 2017

State of West Virginia
Department of Health and Human Services
Bureau of Medical Services

December 2017

PCG | Health
Public Focus. Proven Results.™

Agenda

- Annual Cost Report Overview
- Components of the Cost Report
 - Direct Medical Service Costs
 - Specialized Transportation Costs
 - Federal Funds
- Cost Settlement
- Desk Reviews
- Monitoring Reviews
- Contact Information

Annual Cost Report Overview

Annual Cost Report Overview

- Medicaid is a joint federal and state program that funds allowable medical services for eligible individuals
- School districts incur costs for providing services to eligible special education students
 - Medicaid will reimburse a portion of the costs districts incur based on what is allowable and outlined in the Centers for Medicare and Medicaid Services (CMS) approved state plan amendment
- The Medicaid Administrative Claiming (MAC) and School Based Health Services (SBHS) programs are based on school district's true cost of providing eligible direct medical services (DS), and specialized transportation services to Medicaid-eligible Individualized Education Program (IEP) students.



Bill Medicaid Fee-For-Service (FFS) Interim Payments throughout the school year



Receive **Medicaid FFS Interim Payments** throughout the school year



Report DS & transportation costs on the **Annual Cost Report** after the close of the school year



Reconcile costs through the **Cost Settlement** process

Annual Cost Report Overview



56 school districts throughout West Virginia participated in Annual Cost Settlement for the 2015-2016 school year

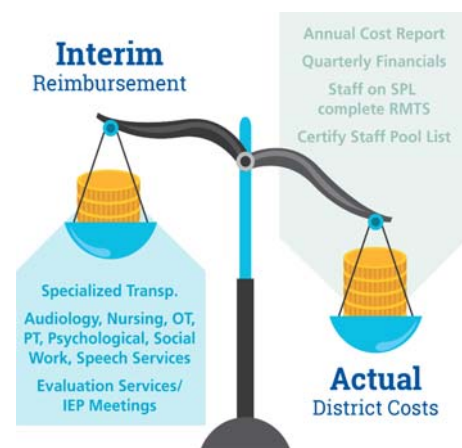
- Thank you for your continued effort and due diligence in this process!



Public Consulting Group (PCG) has been facilitating the cost settlement process on behalf of the Department of Health and Human Resources, Bureau of Medical Services (DHHR/BMS) since 2011.

What Is Cost Settlement?

- A **cost-based reimbursement methodology** used to determine the actual cost of delivering SBHS services to special education students
- Compares the **actual cost incurred** by LEAs to the **Medicaid interim reimbursement** payments (received through regular Fee for Service billing)
 - Ensures that LEAs are reimbursed for actual costs
 - Ensures that Medicaid is not overpaying for services
- Actual allowable costs are determined through completion of the **Annual Medicaid Cost Report**



Cost Reporting Scenarios

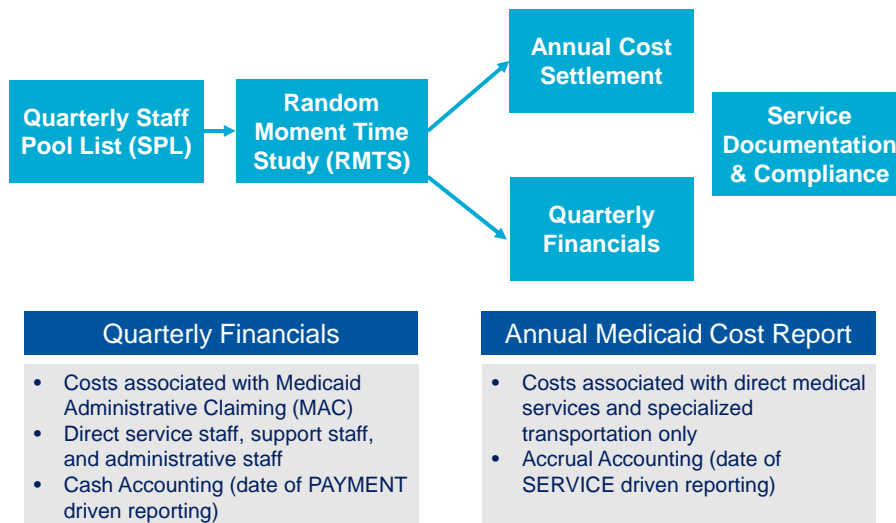
If the district's Medicaid Allowable Costs exceed the interim payments received, the district will **receive a payment** for the amount due.

Medicaid Allowable Costs	Interim Payments Received	Settlement Due
\$100,000	\$50,000	\$50,000
LEA is due \$50,000		

If the district's Medicaid Allowable Costs are less than the interim payments received, the district will **pay back the difference**, refunding the amount due.

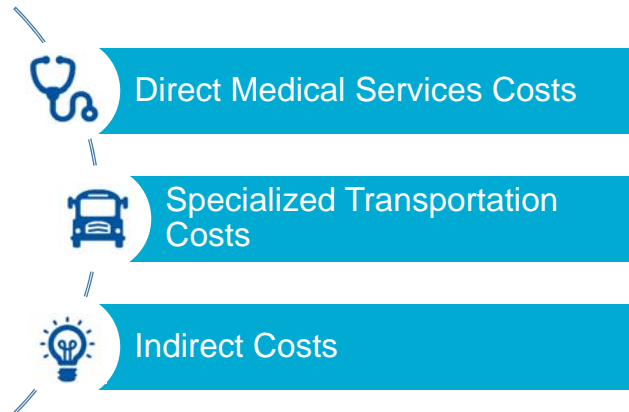
Medicaid Allowable Costs	Interim Payments Received	Pay Back Amount
\$50,000	\$100,000	\$50,000
LEA owes back \$50,000		

SBHS Program Components



Cost Reporting Elements

The cost reimbursement methodology includes the following cost and data elements:



Annual Medicaid Cost Report – FY17 Deadlines

- The certified cost report is due in the PCG Claiming System site by **December 29th**.
 - The Claiming System opened for edits in late October
- It is recommended that districts begin internal coordination to review eligible costs to report and begin completion of this report.

Ensure your district enters all eligible costs for each section of the Cost Report before certifying and submitting!



Annual Medicaid Cost Report – Cost Settlement Process



PCG Tasks	Notifies LEAs that the FY17 cost report has been opened and ready for collection.	Reviews all report data for accuracy & completeness. Follows-up with LEA with data concerns and insufficient explanations.	PCG calculates district's net settlement amounts and notifies LEAs CPE forms are ready for signature.
LEA Tasks	Input Direct Medical Service costs, Specialized Transportation costs, and Ratio Info. Certify Medicaid Cost Report in Claiming System.	Respond to all PCG desk review edits and provide additional explanation or edit & recertify reports as needed.	Authorized Officer of the LEA (CEO, CFO, Superintendent) electronically signs CPE form in the Claiming System.

Annual Medicaid Cost Report – FY17

The Annual Medicaid Cost Report for the reporting period can be accessed through <https://claimingsystem.pcgus.com/wv>

Click on the Annual field for the list of schedules to complete

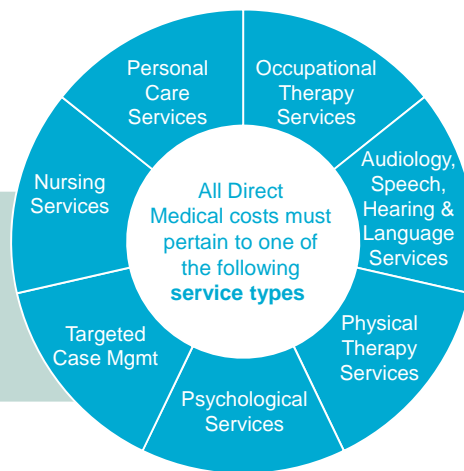
Make sure FY17 is selected (default is current fiscal year)

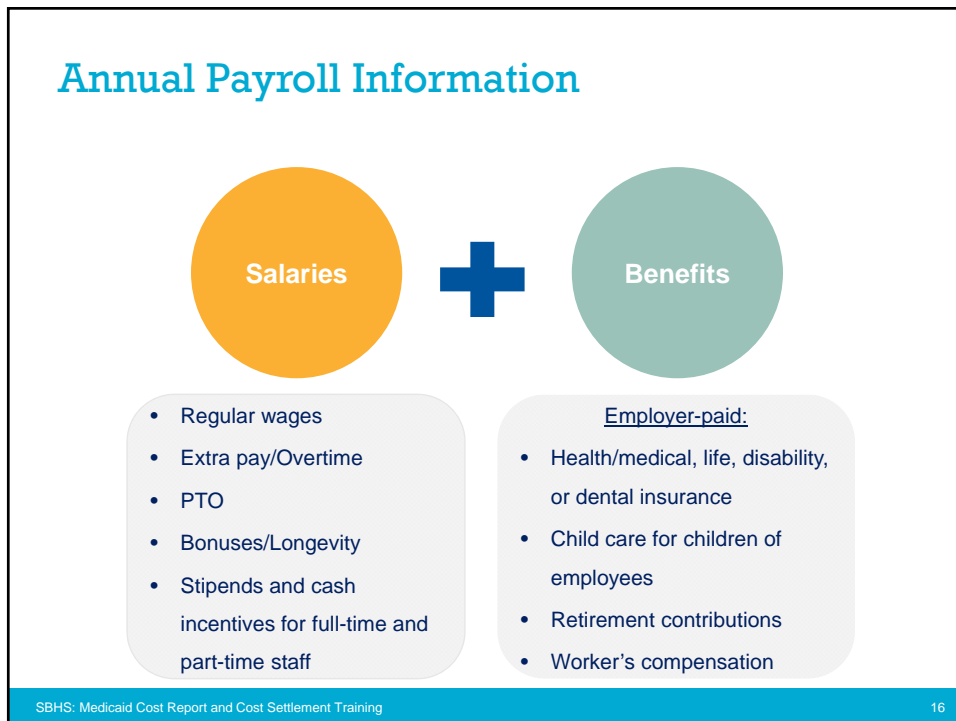
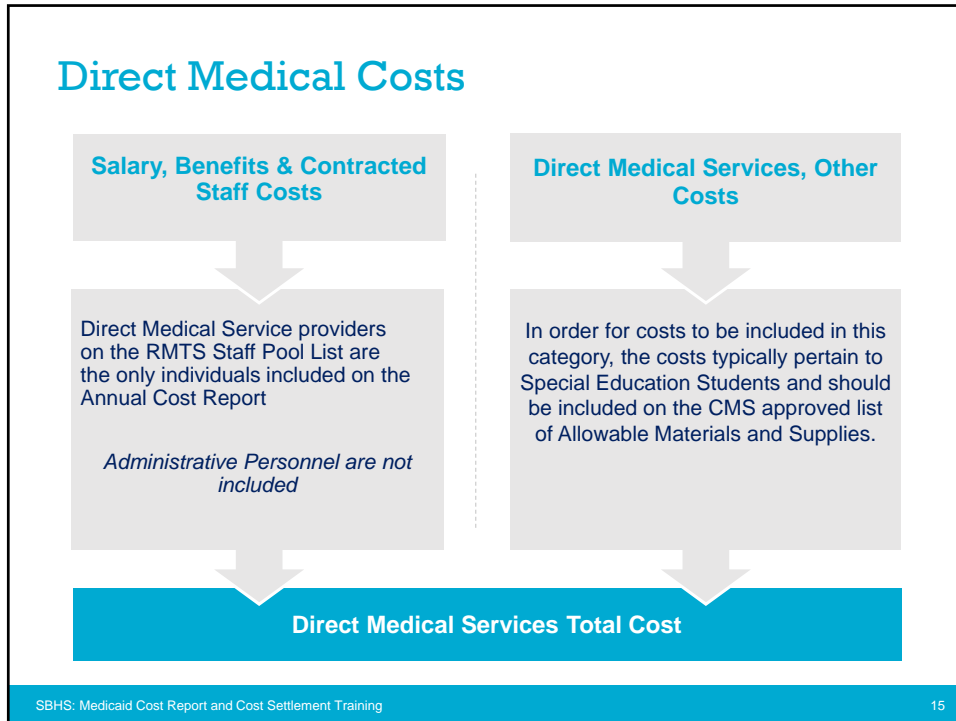
Components of the Cost Report

Direct Medical Services Costs

Components of the Annual Cost Report

Reminder – All costs are based on individuals identified on the **Staff Pool List**





Annual Payroll Information – Job Span Toolbar

Regardless of how much time an individual may have worked during the school year, the only eligible costs that can be recorded are for the time periods that they are listed on the Staff Pool List.

PCG CLAIMING SYSTEM
West Virginia School Based Health Services

Tina (Session 53:03, Unimpersonate, Manage Account - Log off)

Home People - Calendar Moments Quarterly - Annual - Configuration - Reports

Annual: Salaried Staff

Export Import

Available Filters

Status	Agency	Emp Id	Name	Job Cat	Cost Pool	Title	Job Span	Hours	Salary	Health Insurance	Life Insurance	Retirement	Social Security	Other Employee Insurance
				Psychologist (DS)	Direct Service	Psychologist (DS)			\$30,000					
Explanation: okay														
				SLP Assistant/Aide/Intern	Direct Service	Aide								
				Social Worker (DS)	Direct Service	Social Worker (DS)								
				Psychologist (DS)	Direct Service	Psychologist (DS)								

When inputting payroll costs, it is important to refer to the Job Span Bar to determine the exact amount of time an individual was listed on the Staff Pool List

Staff Pool List

The creation of the Staff Pool List (SPL) is the first step in the Random Moment Time Study (RMTS) and is required for both the SBHS and MAC programs

An accurate list allows districts to claim costs quarterly for individuals on the Staff Pool List, as well as annually during the cost settlement process

Only staff submitted on your SPL are eligible to be selected for Random Moment Time Studies and to have costs claimed

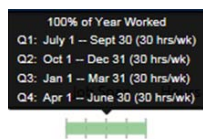
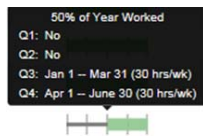
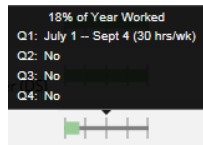


Random Moment Time Studies

Capture the percentage of time staff spent performing various reimbursable activities (used on both the MAC and Annual Cost Report) via emailed surveys throughout the year

The State of West Virginia must meet 85% RMTS compliance each quarter

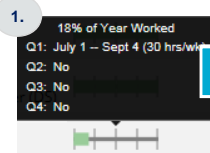
Entering Employee Costs – Job Span Toolbar



- The system indicates the amount of time an employee was listed on the Staff Pool List by the Job Span toolbar.
- *Please note that the period July-Sept may not accurately reflect staff participation in the RMTS.*
 - If an individual was included on any other quarter for the fiscal year and was working and performing Medicaid eligible services during the July-September quarter, LEAs in WV are allowed to include the costs for that quarter.

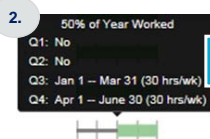
Entering Employee Costs – Job Span Toolbar

Sally the Psychologist was promoted to Director of Special Services in the beginning of the school year...



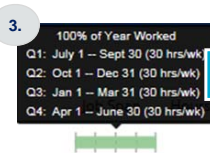
Costs for Sally should not be recorded for the July-September quarter as Sally was not listed on the SPL in a subsequent quarter.

Mike the Physical Therapist was employed the full year, however, was accidentally left off the SPL for quarter two...



Costs can only be recorded for the first, third and fourth quarter, from July 1st – September 30th and January 1st to June 30th.

Zac the Occupational Therapist was employed the full year and eligible for Random Moment Time Studies in all 4 quarters...



Full annual costs can be recorded.

Contractor Costs

**Contractor
Costs**

Compensation paid by the LEA for a contracted individual who delivered any SBHS services to any special education students.

Costs should be reported by service type and vendor.

LEAs are required to report gross expenditures and then properly reduce expenditures for funds paid through other federal funding sources.

SBHS: Medicaid Cost Report and Cost Settlement Training

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Direct Medical Services Other Costs

Direct Medical Materials and Supplies

Materials and supplies must fit the following criteria:

- Be on the CMS List of Allowable Materials and Supplies (Refer to handout)
- Pertain to special education students
- Tie back to direct medical needs identified in the student's IEP

Materials and supplies used for general education can not be reported

- Districts cannot apportion costs by any district approved allocation method

LEA must maintain documentation that clearly identifies the specific items included on the report and prove that the items met the criteria listed above.

X Do NOT Include X

- Costs for materials and supplies applicable to **ONLY** general education students
- Costs for materials and supplies used in out of district (tuition-paid) institutions
- Individual items costing more than \$5,000 → DEPRECIATE THESE in the depreciation section
- Federally funded costs (you should report any federal funds)

SBHS: Medicaid Cost Report and Cost Settlement Training

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Direct Medical Services Other Costs - Examples



IPad used as an e-book for special education students



Not allowable because it is not on the CMS approved list of materials and supplies



Audiology testing materials used by general education and special education students



Allowable because it is on the CMS approved list of materials and supplies and is used for special education students



Wheelchair used by special education student



Allowable because it is on the CMS approved list of materials and supplies but must be depreciated if over \$5,000

Direct Medical Percentage

Direct Medical Percentage



The purpose of this percentage is to identify the percentage of time providers spend, on average, performing eligible direct medical services



Calculated by PCG from the results of the quarterly Random Moment Time Study (RMTS) - the average results of the three quarterly time study periods (Oct – Dec, Jan – Mar, and Apr – Jun) that occurred during the fiscal year



It is a statewide percentage and is not school district specific



This percentage is applied to the Direct Medical Service Costs and directly affects the cost settlement for every district

Unrestricted Indirect Cost Rate (UICR)

The **Indirect Cost Rate** is used to include additional costs of doing business that cannot be easily identified within a particular grant, contract, or program, but are necessary for the general operation of the organization.

- Example: overhead costs, such as heating or electricity
- The UICR will be prepopulated in the system by PCG based upon data provided by WVDE
- LEA's without an approved ICR will use a default rate of 10%.

Example Calculation:

Net Direct Service Costs (less federal funds)	\$800,000
Indirect Cost Rate (10%)	.10
Indirect Costs	\$80,000
Net Direct Service Costs + Indirect Costs	\$880,000

Individualized Education Program (IEP) Ratio

What is the purpose of this ratio?

Identifies the portion of costs that pertain to the delivery of direct medical services specifically to **Medicaid-eligible special education students with a prescribed reimbursable related service in their IEP**

- PCG will input this number

$$\text{IEP Ratio} = \frac{\text{Total Number of Medicaid Eligible Special Education Students with an IEP Prescribed Related Service}}{\text{Total Number of ALL Special Education Students with an IEP Prescribed Related Service}}$$

Components of Direct Medical Costs



Allowable Direct Medical Service Costs:

- Salary, Benefit, and Contracted Staff costs for eligible direct medical service providers
- Direct Medical Services Materials and Supplies
- Direct Medical Service Equipment Depreciation
- WVDE Unrestricted Indirect Cost Rate (UICR)

Ratios and Percentages Used to Apportion Direct Medical Service Costs:

- Individualized Education Program (IEP) Ratio
- Random Moment Time Study (RMTS) Direct Medical Service Percentage

Direct Medical Costs Summary

Example Calculation of Medicaid Allowable Costs

Direct Medical Services Salary and Benefits Summary

Service Type	# line items	Salaries	Benefits	Contracted Staff		Fed Funds and Other Reductions		Staff Costs
				Costs	Total Costs			
Occupational Therapy Services	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Targeted Case Management	17	\$517,870.29	\$159,202.84	\$0.00	\$677,073.13	\$0.00	\$0.00	\$677,073.13
Audiology and Speech Language Services	2	\$63,371.00	\$22,290.92	\$0.00	\$85,661.92	\$4,918.66	\$0.00	\$80,743.26
Personal Care Services	1	\$21,030.00	\$11,858.67	\$0.00	\$32,888.67	\$0.00	\$0.00	\$32,888.67
Physical Therapy Services	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Psychological Services	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Totals		\$602,271.29	\$193,352.43	\$0.00	\$795,623.72	\$4,918.66	\$0.00	\$790,705.06

Direct Medical Services Total Costs Summary

Service Type	Staff Costs	Other Costs	Other Cost Fed Funds	Total Costs	Direct Medical Percentage	Net OIGS	Contractor Costs	Contractor Fed. Offsets	Net Costs	Unrestricted Indirect Cost Rate	Indirect Costs	Net All Costs Plus Indirect Costs		IEP Ratio	Medicaid Allowable Costs
												Costs	Costs		
Occupational Therapy Services	\$0.00	\$0.00	\$0.00	\$0.00	46.03 %	\$0.00	\$33,210.00	\$0.00	\$33,210.00	14.33 %	\$4,758.99	\$37,968.99	78.49 %	\$29,801.86	
Targeted Case Management	\$677,073.13	\$0.00	\$0.00	\$677,073.13	2.29 %	\$15,504.97	\$2,500.00	\$0.00	\$18,004.97	14.33 %	\$2,580.11	\$20,585.08	81.78 %	\$16,834.48	
Audiology and Speech Language Services	\$80,743.26	\$0.00	\$0.00	\$80,743.26	46.03 %	\$37,166.12	\$13,675.00	\$0.00	\$50,841.12	14.33 %	\$7,285.53	\$58,126.65	78.49 %	\$45,623.61	
Personal Care Services	\$32,888.67	\$0.00	\$0.00	\$32,888.67	24.04 %	\$7,906.44	\$0.00	\$0.00	\$7,906.44	14.33 %	\$1,132.99	\$9,039.43	0 %	\$0.00	
Physical Therapy Services	\$0.00	\$0.00	\$0.00	\$0.00	46.03 %	\$0.00	\$4,710.00	\$0.00	\$4,710.00	14.33 %	\$674.94	\$5,384.94	78.49 %	\$4,226.64	
Psychological Services	\$0.00	\$0.00	\$0.00	\$0.00	46.03 %	\$0.00	\$5,400.00	\$0.00	\$5,400.00	14.33 %	\$773.82	\$6,173.82	78.49 %	\$4,845.83	
Totals	\$790,705.06	\$0.00	\$0.00	\$790,705.06		\$60,577.53	\$58,495.00	\$0.00	\$120,072.53		\$17,206.38	\$137,278.91		\$101,332.42	

Components of the Cost Report

Specialized Transportation Costs

Transportation Reimbursement

Specialized Transportation Services include:

- Travel to and from a Medicaid covered direct IEP service to be rendered on school premises or another location.
- Specialized transportation is included on the IEP as a separate service.
- Use of a specially adapted vehicle (must contain a wheelchair lift).

LEA's can report Specialized Transportation if:

- Vehicle has modified specialized equipment
- Transport occurs on the same day student receives a direct medical service
- Written in IEP (retain copies)
- Keep bus logs of one-way trips
- Bill Medicaid & log service



Transportation Costs



Transportation Payroll

- ✓ Reported once a year only on the annual cost report
- ✓ Districts may report salary and benefit costs for drivers, bus aides, and mechanics who provide specialized transportation

**Transportation personnel do not participate in RMTS and are not included on SPL*

Transportation Other Costs

- ✓ Fuel and Oil
- ✓ Lease/rental
- ✓ Maintenance and Repairs
- ✓ Insurance
- ✓ Contract:
 - ✓ Transportation Services
 - ✓ Transportation Equipment

Transportation Depreciation

Equipment Depreciation pertains to:

- ✓ Buses, cars, and minivans
- ✓ Harnesses/seatbelts/child protective seating
- ✓ Light trucks and vans, vehicle A/C, wheelchair lifts
- ✓ Assets greater than \$5,000 in costs

Straight line depreciation method:

$$X = (\text{Cost} - \text{Federal Funds}) \div \text{Years of Useful Life}$$

Transportation Service Type: Only and Not Only

	Only Specialized Transportation	Not Only Specialized Transportation	General Transportation Costs
Report When:	Costs that pertain only to providing specialized transportation services should be reported as 'Specialized Only'. These are costs that can be isolated from your general transportation costs.	If an LEA is unable to isolate special transportation costs from general transportation costs.	Any costs pertaining to transportation costs for only general education students should not be included.
Example:	Salaries and benefits for any staff under code 227XX (Specialized Transportation) and buses with a wheelchair lift which transport only special education students.	A bus is adapted to transport special education students per their IEP, but also transports general students. Fuel costs may be listed as 'Not Only Specialized' if the total fuel cost includes fuel for both specialized vehicles and general transport vehicles.	Unallowable costs that include buses that only transport general education students (including related bus driver salaries) or fuel, maintenance, and insurance costs for these vehicles if separately available in the accounting system.
Ratio(s) Applied:	One-Way Trips Ratio <u>ONLY</u>	Specialized Transportation Ratio <u>AND</u> One-Way Trips Ratio	N/A

Only Specialized Transportation Costs

DHHR has indicated that only a bus with a lift meets the criteria to provide specialized transportation.

- Only buses with a lift and their associated drivers would be considered specialized transportation.
- This vehicle must be used to transport a student who has *specialized transportation listed in their IEP*.
- If these conditions are met, this cost may be included on the cost report as 'only specialized transportation.'

An IEP alone is not enough to qualify transportation as specialized – Medicaid will not cover transportation costs for (as an example) a student with Speech Therapy in their IEP who is able to ride a regular school bus.



Specialized Transportation Ratio

The **Specialized Transportation Ratio** is used when specialized transportation costs cannot be discreetly broken out their from general transportation costs.

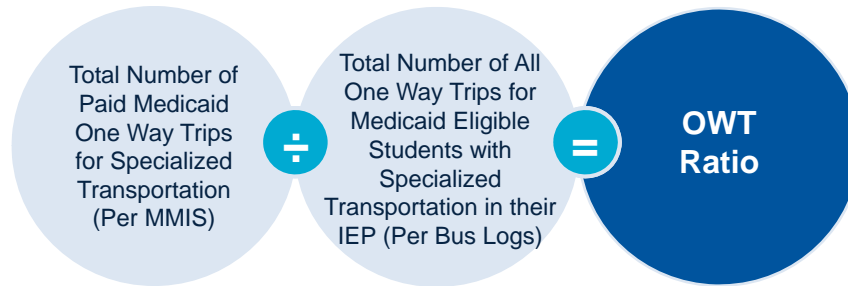
- Only applies to costs reported as Not Only Specialized.
- PCG will populate the numerator and denominator.



One Way Trip Ratio

The **Specialized Transportation One Way Trip Ratio** allocates a portion of specialized transportation costs to the Medicaid Program.

- PCG will input the numerator based on paid claims data, but if you report any specialized transportation, then you must input the denominator.



A Medicaid **One Way Trip** is defined as a trip to or from school for a special education student with specialized transportation in their IEP on the same day the student received a SBHS direct medical service.

- Transportation to **AND** from school would be considered two one way trips.

Calculation of Medicaid Allowable Transportation Costs

Transportation Salary and Benefits Summary

Service Type	# line items	Salaries	Benefits	Total Costs	Fed Funds and Other Reductions	Staff Costs
▶ Only Specialized Transportation	1	\$20,000.00	\$7,800.00	\$27,800.00	\$3,000.00	\$24,800.00
▶ Not Only Specialized Transportation		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
		\$20,000.00	\$7,800.00	\$27,800.00	\$3,000.00	\$24,800.00

Transportation Total Costs Summary

Service Type	Staff Costs	Other Costs	Other Cost Fed Funds	Total Costs	Unrestricted Indirect Cost Rate	Indirect Costs	Net Direct Costs Plus Indirect Costs	Specialized Transportation Ratio	One Way Trip Ratio	Medicaid Allowable Costs
Only Specialized Transportation	\$24,800.00	\$1,666.67	\$166.67	\$26,500.00	10 %	\$2,630.00	\$28,930.00	100 %	10 %	\$2,893.00
Not Only Specialized Transportation	\$0.00	\$12,450.00	\$1,900.00	\$10,550.00	10 %	\$1,055.00	\$11,605.00	5.71 %	10 %	\$66.27
Totals	\$24,800.00	\$14,116.67	\$2,066.67	\$36,850.00		\$3,685.00	\$40,535.00			\$2,959.27

Components of Transportation Costs



Allowable Transportation Costs:

- Salary, Benefit, and Contracted costs for eligible transportation staff
- Allowable Transportation Other Costs
- Transportation Equipment Depreciation

Ratios and Percentages Used to Apportion Transportation Costs:

- Specialized Transportation One-Way Trips Ratio
- Specialized Transportation Ratio (*If Applicable*)

Components of the Cost Report

Federal Funds

Federal Funds

- Costs paid for by the district using federal funds are not represented in the cost settlement calculation.
- To assure federal funds are properly removed, the district must:
 - *Report costs as a gross amount (State, Local & Federal Dollars) and then identify the federal funds amount (Federal Dollars), the system will subtract out the federal funds and find the net*
 - *Alternatively, the district can back out federal funds prior to reporting costs in the system*
- Staff members or costs that are 100% federally funded should not be reported and should not be included in the RMTS staff pool list.



FY 17 Cost Settlement *Next Steps*

Desk Reviews

In order to ensure accuracy and completeness of each cost report, PCG conducts desk reviews after all cost reports have been certified. During this time, PCG will review all LEA responses to triggered warnings and thresholds. Desk reviews help protect LEAs from federal audits and potential pay-back situations.

- ✓ When preparing your cost report, keep clear & organized documentation for ease of reference during the review
- ✓ Develop a response plan with your team and co-op
- ✓ Confident statements of understanding are necessary! Avoid phrases like “I believe...” or “Somebody told me...”
 - If you are not 100% sure if a cost or ratio is accurate and cannot find any supporting documentation, you'll need to remove the cost
- ✓ Respond in a timely fashion- you have 7 days to respond to edits once the review is released to you
- ✓ Look out for any potential follow-up questions from PCG until the review is closed

An in-depth training can be found on the “Resources” section of the Claiming System homepage

Desk Reviews

- As of the 2015-2016 Annual Cost Report, PCG conducts desk reviews in the PCG Claiming System
- PCG and district communication will take place in the system, eliminating back and forth email correspondence
- After receiving the system email notification that the desk review is ready for your response:

Log into the PCG Claiming System
<https://claimingsystem.pcgus.com/vv>

↓

Choose FY17 from the fiscal year dropdown at the top of the page

↓

Under the 'Annual' dropdown menu select 'Desk Review'

The screenshot shows a 'Needs Attention' warning in the PCG Claiming System. The warning title is '#1 Needs Attention: Annual Payroll Information Year to Year Variance'. It was opened by Rutzliff, Mckenzie on 02/07/17 11:28 AM. The threshold is 'Year-to-Year Variance Greater than 15%'. The value is broken down by fund: P116 Total Salary: 42951.64, P116 Total Benefits: 11204.73, P116 Total Federal Funds: 0.00, P115 Total Salary: 53252.52, P115 Total Benefits: 17205.45, P115 Total Federal Funds: 0.00, and a total variance of -23.38%. The edit details state: 'The variance between your Annual Salaried Payroll information for this fiscal year and last fiscal year is greater than expected (5%). Please provide an explanation relating to your Annual Payroll information year-to-year variance.' At the bottom, there are radio buttons for 'Data Entered is: Correct' and 'Incorrect (Requires Rollback & Recertification)', a 'Please Explain:' text area, and a 'Submit' button.

Desk Reviews

There are four Review Statuses in the Desk Review process:

Opened: Your desk review has been opened. You'll see this status if your cost report has been opened for changes.

Released: Your desk review is in your hands.

Submitted: PCG has received your responses.

Closed: All of your edits have been successfully answered and your desk review is now finished.



Potential Audit Risks

1

Inputed Salary and Benefit costs are inconsistent with the staff member's Job Span Bar, which is their allowable claimable time listed on the Staff Pool List

2

Licensure is not an active or an appropriate license during the time periods which the participant was active on the Staff Pool List

3

Salary and Benefit documentation does not align with what is reported in the PCG Claiming System

4

Transportation costs are not correctly categorized as either "Only Specialized Transportation" or "Not Only Specialized Transportation"
What does your documentation support?

If you have any questions about documentation and allowable costs, **don't ever hesitate to reach out to PCG!**
PCG should always be your first point of contact!

Certification of Public Expenditure (CPE) Form

- Signing off on your Certification of Public Expenditures Form ensures the federal government that all costs and ratios are reported accurately and supported by documentation.
- This page will not be available to view until PCG has released the cost settlement and your district has approved the settlement amount.
- **“I am the officer authorized by the referenced government agency to submit this form and I have made a good faith effort to assure that all information reported is true and accurate.”**



Monitoring Process for SBHS Medicaid Cost Reports

- After all cost settlement processes have been completed, PCG will be conducting comprehensive audits of a random sample of LEA cost reports.
- These audits will be comprehensive in evaluating:
 - Salary and benefit costs reported for staff listed on the RMTS;
 - Licensing and credentials of direct service staff listed on the RMTS;
 - Direct medical materials and supplies costs reported;
 - Depreciation expenses reported for direct medical equipment; and
 - Contracted staff costs;
 - Student counts reported for the numerator of the IEP Ratio.
- LEAs need to maintain supporting documentation for all financial and statistical information reported during the SBHS cost settlement process.

Need Additional Assistance? *Contact Information*

Contact Information

If you have any questions about the Annual Medicaid Cost Report, or the Cost Settlement process, please reach out to us!

Public Consulting Group
WVSBHS@pcgus.com
1-877-908-1745

