

Reimbursement Methodology for School Based Services – In Brief

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How CMS reviews School Based services proposals?

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CMS's policy on the rate

Because schools are public providers and because, in general, third party payers other than MA do not reimburse for services provided in the schools, MA requires that states demonstrate that rates paid for SBS are no higher than the actual cost of providing these services.

Funding the non Federal share of school based services

- Certified public expenditures (CPEs) or,
- Intergovernmental transfers (IGTs)

Most states use CPEs to fund the non Federal share.

Funding and the rate methodology

CPEs

Rate must be based on actual cost (no community rates).

Annual reconciliation (assessing difference between payment and cost) is required.

State does not have to settle to cost, which would make whole the provider.

IGTs or

Appropriations

Rate can be based on cost trended for a limited period of time.

No reconciliation required.

Community rates can be used.

Current policy – IGT must be made prior to payment by the Medicaid Agency. Provider must retain the entire payment.

Funding and permissible rates

IGTs or Appropriations

The fee for service community rate paid to non SBS providers may be paid when services are funded by IGTs or appropriations.

When using something other than the community rate, the State must demonstrate that the rate does not exceed cost.

How is cost identified?

- Cost is recognized using OMB Circular A-87
- The cost principles in A-87 are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal or governmental unit participation in the financing of a particular program or projects.

How is cost identified (continued)?

- CMS assesses the reasonability of proposed cost. Does it, for example, directly support SBS services?
- Is the cost direct or indirect in nature?

CMS's current policy on cost

- SBS cost is composed on direct and indirect cost to the extent that it is included in the cognizant agency indirect rate.
- Direct cost is limited generally to personnel and materials used to deliver services. CMS reviews individual items of cost and bases of cost allocation.

CMS policy on the direct cost of personnel

- Personnel cost is included in the rate to the extent that time is devoted to SBS.
- CMS permits States to use a CMS-approved time study to assess personnel cost, usually based on the Medicaid administrative claiming time study methodology.
- Personnel cost may not be included using ratio analysis or some other estimation.

CMS policy on the direct cost of personnel (continued)

- CMS requires States to document the types of activities included in the time attributed to SBS
- CMS requires States to document the types of personnel that will be included

The SBS rate review

- Usually lengthy, and detailed
- State required to provide a finalized cost report, cost report instructions, documentation on the time study methodology and a copy of the certification of expenditures form (for CPE-funded programs only).

Issue of interest...

Question: Can a State change its cost report or some other aspect of its SBS rate methodology such as the time study without submitting a state plan amendment (SPA)?

Answer: No.

Methodology changes

- A State's methodology will be documented to the greatest possible extent in the State plan. Its full articulation may be found in how the State implements its methodology and the documentation provided as part of the SPA review.
- CMS has not approved retroactive changes proposed by States asserting that their plan language is vague enough to permit the change.

SBS Rate Methodology-Summary

- Rate methodology and Coverage reviewed in tandem.
- Rate methodology is linked to funding of non-federal share.
- Rate may be no higher than cost, regardless of funding source.
- State is required to provide documentation for any cost based rate methodology.