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**CHAPTER 8: ADMINISTRATIVE CLAIMING**

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**SECTION 8.4: COST ALLOCATION AND METHODOLOGY**

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**PAGE(S) 4**

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**COST ALLOCATION AND METHODOLOGY**

In order to determine the reimbursable Medicaid administrative costs expended in a quarter by the school district, the following cost allocations and methodologies are applied:

**Cost Pools**

All personnel participating in the Medicaid Administrative Claiming Program must be assigned to one of the following three cost pools:

- **Cost Pool 1 – Health and Health Related Staff**

This cost pool includes all school staff that has direct responsibilities that include spending some of their time performing one or more of the Medicaid administrative activities. Persons in this cost pool are school district employees and vendors. This cost pool is reimbursable at a 50% rate.

- **Cost Pool 2 - Health and Health Related - (Direct Support Personnel)**

This cost pool includes general or administrative staff that supports the staff in Cost Pool 1. These personnel may or may not have any direct contact with students/families, but may perform any of the Medicaid allowable activities. These staff may include special education directors, clerical, administrative assistants and fiscal staff not already included in district or school administration.

- **Cost Pool 3 - Non-Medicaid Related**

This cost pool should include all employees and all expenditures not allowable in the Medicaid Administrative Claiming Program. All employees not included in either Cost Pool 1 or 2 must be included in this cost pool. This may include teachers, clerical staff, janitorial staff, and administrative staff not included in one of the other cost pools. This shall also include any contractor worker not included in a previous cost pool.

**Note: All school district employees and vendors must be included in a Cost Pool.**

The percentage of time spent on each administrative activity (Codes A-J) will be calculated as a ratio to total reported time. General Administration (Code K) is reallocated among all other activity codes. These ratios are the time study results. Time study results from Cost Pool 1 will be applied to total cost accumulated for persons in Cost Pools 1 and 2. (See Appendix B for a complete list of time study codes.)

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**CHAPTER 8: ADMINISTRATIVE CLAIMING**

---

**SECTION 8.4: COST ALLOCATION AND METHODOLOGY**

---

**PAGE(S) 4**

---

**Total Costs**

Total cost is made up of certain direct costs and an allocation of certain indirect costs. The methodology and financial data are to be fully consistent with the requirements of OMB Circular A-87 and generally accepted accounting standards.

**Direct Costs**

Direct personnel cost includes salaries, wages, contractual vendor payments and employer paid fringe benefits. Other direct costs include travel, materials and supplies and the annual use allowance of direct equipment and/or buildings. Restricted federal funding will be deducted from the actual expenses, such that only state/local funding sources are included in the claim calculations. Individuals that are 100% federally funded will be excluded from time studies and participating in the program. Those individuals that have partial federal funding will be allowed to participate in the time study and program but their salary amounts included in a claim will exclude the federal funds for those individuals.

**Indirect Costs**

The indirect cost rate is used to allocate the school district's indirect cost to the MAC program. School districts should use the restricted indirect cost rate calculated by the Louisiana Department of Education. This rate is calculated on an annual basis. Capital costs can be allocated to the MAC program. Total capital consists of annual use allowance of capital buildings and equipment plus interest related to capital assets. Total annual capital expense is then divided by total direct and unallowable costs as defined in the indirect cost allocation.

**Federal Funds**

Federal funds must be excluded from all cost pools and indirect cost allocations. It is the responsibility of the school district to identify and properly eliminate federal funds from the pool of costs to be reimbursed.

**Payments to Third Party Contractors**

Expenditures paid to third party contractors to help administer the MAC Program are not allowable costs for MAC reimbursement.

**Calculating the Claim**

All costs in Cost Pools 1 and 2 are allocated based on the quarterly time study results. Only time assigned to claimable activity codes as defined in Appendix B are allocated to Medicaid

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**CHAPTER 8: ADMINISTRATIVE CLAIMING**

---

**SECTION 8.4: COST ALLOCATION AND METHODOLOGY**

---

**PAGE(S) 4**

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administration. Time assigned to the Total Medicaid (TM) codes are reimbursed at the Federal Financial Participation (FFP) rate of 50% without applying any discounts. All other reimbursable codes are discounted using the Medicaid discount factor and the Provider Participation Rate, then reimbursed at the FFP rate of 50%.

**Medicaid Discount Factor**

The Medicaid discount factor is used to discount certain time code activities. This factor is calculated by DHH using total enrollment files obtained from the school districts and comparing them to Medicaid eligibility files. This factor is calculated on an annual basis.

**Provider Participation Rate**

The provider participation rate is used to discount code E, the Medicaid Referral and Coordination code so that only Medicaid referrals are calculated into the claim. This factor is calculated by DHH using provider referral information obtained from the school districts and comparing them to Medicaid participation documentation.

The Medicaid program should not pay for an activity already paid for or otherwise reimbursable under another federal mechanism. This includes the provision of services reimbursed through EPSDT health services and the KIDMED programs. The documentation for administrative activities must clearly demonstrate that the activities are in support of a Medicaid covered service. The activity or function is provided for the entire school population regardless of Medicaid status.

**The federal share of the claim for Medicaid administration is calculated by:**

|   |                       |
|---|-----------------------|
| % of time claimable to Medicaid Administration                                  | Multiplied by         |
| The Medicaid percentage Medicaid Eligibility and<br>Provider Participation rate | Multiplied by         |
| Total Costs (includes direct and indirect costs)                                | Multiplied by         |
| % FFP (50%)   | = Total Reimbursement |

**Monitoring**

The DHH and its representatives will conduct two types of monitoring: desk reviews and on-site visits.

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**CHAPTER 8: ADMINISTRATIVE CLAIMING**

---

**SECTION 8.4: COST ALLOCATION AND METHODOLOGY**

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**PAGE(S) 4**

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**Desk Reviews**

Desk reviews consist of recalculating the claim to ensure that formulas are applied correctly and ensure that supporting documentation was provided with, and agrees to the claim. A desk review is performed on claim forms prior to being approved for payment by DHH.

**On-Site Visits**

On-site visits may include an in-depth review of the time study methodology used and time study results reported on the claim. It may also include review of the financial data for compliance with approved cost allocation methodology. Districts are monitored no less than tri-annually depending on previous monitoring visit results and review of quarterly time study trends.

The on-site reviews may include interviewing the district coders. Monitors will review RMS forms for proper coding, on a test basis, prior to the tabulation of the time study percentages; therefore, this procedure will not need to be performed during the on-site visit. If the error rate on the RMS forms is 15% or greater for a particular district, the Department can return them to the district for correction. In addition to making the corrections, retraining of the coder(s) may be required.

If both the review of the log and the interview process do not result in at least 70 percent correct coding/responses for any individual, the results will be removed from the time study and cost allocation. These individuals must be retrained before they can be included in subsequent time studies. If the district as a whole fails to have at least a 70% overall rate, one or all of the following options will happen:

- The claim for the quarter involved may be voided and all reimbursement made to the school district may be recouped. This recoupment may be done in a lump sum amount or may be withheld from future payments.
- The claim may be recalculated based on findings from the monitoring.
- The school district may be asked to formulate a Corrective Action Plan. Any such plan must address the specific deficiencies outlined by DHH in their monitoring. No future claims may be paid until a sufficient corrective action plan has been submitted and approved by DHH.
- The school district may be terminated from the MAC program.