Medicaid Cost Settlement Approach
Frequently Asked Questions

Q 1: Why is West Virginia changing the Medicaid reimbursement process to a Cost Settlement Approach?

A 1: The federal Centers for Medicare and Medicaid Services (CMS) is requiring WV to adopt a cost settlement approach for school-based Medicaid reimbursement beginning July 1, 2012.

Q 2: What parties are involved in making this change?

A 2: The West Virginia Department of Health and Human Resources (DHHR) has entered into discussions with CMS to address CMS’ request for our state to redesign the School Based Health Services (SBHS) program. DHHR has contracted with Public Consulting Group (PCG) to assist in the discussions with CMS in designing the SBHS program.

Q 3: What is involved in a “cost settlement approach”?

A 3: Medicaid cost will be calculated through a series of calculations including a Cost Report, a Random Moment Time Study, Cost Reconciliation and Cost Settlement. Medicaid costs for each local education agency (LEA) will be compared to the Medicaid reimbursement received through regular billing for Medicaid covered services by the LEA. A cost settlement will be calculated to determine the difference between the Medicaid costs and the Medicaid reimbursement received for each LEA.

Q 4: What is the “Random Moment Time Study” (RMTS) and how is it utilized in the approach?

A 4: The RMTS is a compilation of “moments” detailing what activity each employee is performing at that time. It is used to determine, on average, the amount of time that staff spend on Medicaid-allowable activities in order to calculate what percentage of the county’s costs are eligible for reimbursement.

Q 5: What is the pilot RMTS?

A 5: The pilot RMTS is a “trial run”. The pilot RMTS is being conducted to gather valuable data to develop strategies to maximize the results of the “Cost Settlement” approach. It is important that everyone participate in the pilot, however, the results of the pilot will not be utilized in the actual 2012-13 cost settlement calculations.

Q 6: Who is included in the pilot RMTS?

A 6: Every employee who performs any Medicaid-allowable activity should be included in the pilot RMTS so the results can be accurately analyzed for future strategies. Positions include WV Licensed Audiologists, WV Licensed Occupational Therapists, WV Licensed Physical Therapists, WV or ASHA
certified Master Degree Speech Language Therapists, WV Licensed Registered Nurses, WV Licensed or State Board Certified Psychologists, Personal Care Aides, and Special Education Teachers.

Q 7: When will the pilot RMTS occur?


Q 8: When does the RMTS begin for the 2012-13 actual cost settlement calculation?

A 8: The RMTS to be utilized in the 2012-13 actual calculation will begin October 1, 2012. The RMTS percentage will be calculated quarterly on a statewide basis.

Q 9: Why is the RMTS percentage calculated on a statewide basis instead of determining a percentage for each district?

A 9: Because 3000 moments are needed to calculate the RMTS percentage, it would be very difficult for smaller districts to comply, therefore 3000 moments statewide will be used to calculate the percentage.

Q 10: What happens if the moment chosen is during a non-work day for the employee?

A 10: Moments on county-wide non-work days will not be included. School calendars for the 2011-2012 school year were sent to the Public Consulting Group. WVDE will notify PCG of school closings and delays reported by school districts on the WVDE website. If an employee is not working due to illness or other reasons, it will be taken into consideration when the RMTS percentage is calculated.

Q 11: What happens if the moment chosen is during a planning period or lunch break for the employee?

A 11: Lunch breaks and planning periods will be taken into consideration when the RMTS percentage is calculated. These moments will be considered “administrative”.

Q 12: Will we still file Medicaid reimbursement claims?

A 12: Yes. Medicaid reimbursement claims will still be made utilizing the fee-for-services schedule used in the past. The cost settlement calculation will “true up” the reimbursements claimed throughout the year on a fee-for-services basis to more closely represent actual costs incurred. If the reimbursements claimed throughout the year are greater than the cost settlement calculation allows, then funds must be returned. Conversely, if the cost settlement calculation is greater (as illustrated in the sample calculation below), then additional Medicaid revenues will be received by the district. In order to minimize the risk that counties will have to “refund” a portion of the Medicaid reimbursements received once the cost settlement process is complete, DHHR and PCG will use data from the pilot RMTS to analyze the fee-for-service rate schedule and make adjustments as needed.

Q 13: What is the cost settlement calculation?

A 13: The cost settlement calculation example is as follows:
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Total Costs of Eligible SBHS Provider Costs (county)</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2.0</td>
<td>Indirect Cost Rate (county unrestricted rate)</td>
<td>115.00%</td>
</tr>
<tr>
<td>3.0</td>
<td>Total Costs of Eligible SBHS Provider Costs (calculated)</td>
<td>$1,150,000</td>
</tr>
<tr>
<td>4.0</td>
<td>RMTS Direct Medical Percentage Results (statewide)</td>
<td>65.00%</td>
</tr>
<tr>
<td>5.0</td>
<td>Direct Medical Services Costs (calculated)</td>
<td>$747,500</td>
</tr>
<tr>
<td>6.0</td>
<td>Application of Medicaid Eligibility Rate (IEP Ratio - county) (Medicaid eligible special education students/Total special education students)</td>
<td>50.00%</td>
</tr>
<tr>
<td>7.0</td>
<td>Medicaid Direct Medical Services Costs (calculated)</td>
<td>$373,750</td>
</tr>
<tr>
<td>8.0</td>
<td>Medicaid Interim Payments Received (through regular “fee-for-service” billing (county)</td>
<td>$200,000</td>
</tr>
<tr>
<td>9.0</td>
<td>Medicaid Cost Settlement (calculated)</td>
<td>$173,750</td>
</tr>
</tbody>
</table>

Q 14: How often will the cost settlement be performed?

A 14: The cost settlement will occur at the end of the school-year 2012-2013. However, Steps 3 through 6 (From the calculation chart above) will be conducted every quarter beginning October 2012.

Q 15: Is it likely that my district’s Medicaid reimbursements will increase using the cost settlement approach?

A 15: Since WV has been aggressive in identifying and claiming Medicaid reimbursable services in the past, it is unlikely that our districts will see an increase in Medicaid revenues by adopting this approach. In addition, we have claimed for Individualized Education Programs (IEPs) in the past and it is now questionable whether we can continue that practice.

Q 16: How much should I budget for Medicaid revenue in FY 2013?

A 16: Budgeted Medicaid revenue cannot be determined accurately at this time. The Federal match was approximately 10% greater during FY11 due to ARRA funding, so the FY13 estimated revenue should be no more than 90% of the FY11 Medicaid revenue. In addition, districts may want to estimate the
amount of reimbursements received for IEPs and make a reduction to the estimated FY13 revenue accordingly.

Q 17: Why can’t we claim IEPs anymore?

A 17: Under the guidelines, IEPs as we currently practice would not be allowed. However, DHHR is including similar “treatment plans” in the revised state plan with therapists included in the definition of “licensed practitioner of the healing arts.” It appears to be questionable as to whether CMS will approve DHHR’s inclusion of the treatment plans. At this time, the most conservative approach is to assume that the treatment plans will not be permitted by CMS.

Q 18: How are vendor payments handled?

A 18: DHHR and PCG have now agreed that vendor payments should be included on Line 5 of the above calculation instead of including them on Line 1 as originally proposed. This means the RMTS percentage will not be applied and vendors will not be included in future RMTS beyond the pilot. In addition, PCG indicated that the county’s indirect cost rate will be applied to the vendor payments. Please keep in mind that this approach must be approved by CMS.

Q 19: Can I include federally funded employees as eligible providers on Line 1 of the calculation above?

A 19: No. Employees who are fully funded by federal funds cannot be included. If the employee is partially funded by federal dollars, only the remaining portion may be included as an eligible provider. It is recommended that you avoid funding employees who provide Medicaid-allowable activities with federal funds, or at least minimize the portion of their salary paid by federal funds.

Q 20: How are personal care aides handled in the RMTS?

A 20: Per PCG, personal care aides were split into their own cost pool for the pilot RMTS as the percentage is expected to be very different from the percentages for therapies or care coordination.

Q 21: Will training be offered concerning the Medicaid cost settlement approach?

A 21: Yes. PCG will work with WVDE’s Office of School Finance to schedule finance-related training for chief school business officials once more details have been finalized regarding the cost settlement approach. DHHR, BMS and PCG will be working with WVDE and the Regional Educational Service Agencies (RESAs) to provide additional information about the RMTS process and to organize training sessions. The training sessions will be used to provide more detailed information regarding the RMTS process as well as additional updates on the CMS discussions. It is recommended that the trainings are attended, at a minimum, by the RESA and county special education directors and the RESA Medicaid specialists. As additional details regarding the revisions to the SBHS program become available, DHHR and BMS will work with WVDE to communicate the details to the RESAs and county school districts.

Q 22: Will Special Education Directors or others be copied when a random moment is sent out?
Q 22: Counties can request that the Special Education Director and/or other county staff be copied on all random moment email notifications.

Q 23: Can Special Education directors require that employees notify them when they have responded to a random moment?

Q 23: Yes. This would be at the discretion of the county and would be outside of the DHHR/PCG RMTS process.

Q 24: Can I include vendor payments paid with federal funds for reimbursement?

A 24: No. Just like with employees who are paid with federal funds, you cannot include vendor payments that were paid with federal funds. If only a portion of the vendor payments were paid with federal funds, only the non-federal portion of the costs would be included in your settlement.

Q 25: Will the RMTS percentage ever become fixed?

A 25: No. Due to the continuous changes in personnel/vendors performing services, the students receiving services, etc., the RMTS will never be a fixed percentage. It will be calculated every quarter (except for the July through September quarter of each year).

Q 26: Is there a supplant issue if we change who we are paying with federal funds?

A 26: It is our understanding that there will not be a supplant issue so long as the total non-federal dollars spent remains the same.

OSF
Medicaid Cost Settlement Approach FAQs
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