

MEDICAID ADMINISTRATIVE CLAIMING FOR SCHOOL BASED PROGRAMS IMPLEMENTATION PLAN EFFECTIVE OCTOBER 1, 2003

Introduction

Texas has operated an approved Medicaid Administrative Claiming program since 1995. New federal guidelines for the program were issued in May 2003 that impacted the Texas program. The purpose of this guide is to modify the current Medicaid Administrative Claiming program to meet the new federal requirements. This guide will describe the methodology the state will use to implement the new program and the requirements that participants must follow.

Interagency Agreements

The Health and Human Services Commission (HHSC) has contracted with various state agencies, and through them, with local agencies and school districts, to implement Medicaid Administrative Claiming in Texas. The purpose of these contracts is to assist HHSC in more effectively administering the Texas State Medicaid Plan. The common interest of HHSC and the state and local agencies is to ensure the more effective and timely access of individuals to care, the more appropriate utilization of Medicaid covered services, and to promote activities that reduce the risk of poor health outcomes for the state's most vulnerable populations. The Texas Department of Human Services (DHS) has been designated as the lead agency for implementation of the school based MAC programs.

A. Agreement with Health and Human Services Commission

To participate in MAC, DHS must enter into an interagency agreement with HHSC. This agreement must be effective the first day of the quarter in which the first time study is to be conducted.

The interagency agreement must describe and define the relationship between HHSC and DHS and identify the responsibilities of DHS for the MAC program, including oversight and monitoring. HHSC must be assured that DHS is capable of administering the program and must approve the monitoring and oversight plan.

B. Agreement between State Agency and Local Independent School Districts (ISDs)

Once DHS has an agreement with HHSC to implement the MAC program, the agency may enter into contracts with ISDs to participate in the MAC program. As with the state level agreement, the agency-ISD contract must be effective the first day of the quarter in which the initial time study is to be conducted. HHSC and DHS must be assured that the ISD is capable of administering the project and must have a written Implementation Plan approved by the DHS MAC Coordinator. Contract continuation will be dependent on maintaining compliance with the contract and the Implementation Plan.

ISD's participating in MAC may enter into sub-agreements with their own contractors for the performance of claimable Medicaid administrative activities.

Copies of these agreements are included in Appendix A.

Enrollment Criteria

A. Contracts

Texas has operated a school based MAC program since April 1994. As part of this operation, DHS has entered into contracts with various ISD's for their participation in the program. These contracts will remain in effect for the present time, however, effective October 1, 2003, ISD's must begin operating under the new federal guidelines as outlined in the state's revised implementation guidelines. Once federal approval of the state's Medicaid Administrative Claiming implementation plan has been received, ISD's will be required to enter into a new contract for continued participation in the MAC program. This contract, including an approved ISD implementation plan, must be in place prior to the end of the first quarter of participation after federal approval has been granted.

B. Stand-Alone vs. Consortium Participation

A district may choose to implement the MAC program as a single, stand-alone district or may choose to join or form a consortium with other school districts. The decision on whether to participate in MAC as either a stand-alone or as a member of a consortium depends upon the following criteria:

- The district must be able to demonstrate adherence to all MAC mandatory participation requirements, which includes submission and approval of a detailed implementation plan.
- School districts must have a minimum student enrollment of 15,000 for a stand-alone program. School districts with less than 15,000 student

enrollment who wish to participate must join or establish a consortium with other school districts to reach this minimum enrollment requirement.

- Both stand-alone programs and consortiums must have a minimum of one dedicated FTE managing the MAC program. A contract with a third-party provider to administer the MAC program will satisfy the full-time equivalency requirement. However, programs that contract with a third-party provider must designate a contact person in the district who must be familiar with the program and its' requirements. Districts that participate as a member of a consortium must also designate a contact person in the district.
- Districts should evaluate the cost effectiveness of participation in the MAC program. In this cost-benefit analysis districts should determine if the anticipated level of reimbursement exceeds the cost of participation related to staff time and effort. Factors that can influence the reimbursement levels include the Medicaid eligibility percentage, the level of student enrollment, and the number of potential time study participants and their related costs.
- Reimbursements under the MAC program will not be made until one quarter of time study data has been submitted to and reviewed by DHS in cooperation with the Texas Education Agency (TEA). The state review may consist of on-site visits and/or desk examination of scantrons and logs of participants, discussions with participants, and examination of any other documents supporting the time study. Once the review has determined that the time study is acceptable, districts may submit claims for reimbursement.

Districts that choose to participate in MAC under a consortium methodology must adhere to the following requirements:

- Implementation plans for consortium models must include a designated lead district and a list of participating school districts.
- The lead district may contract with a district in any educational service center region (ESC) in the state. However, when a consortium signs a contract with a district in an ESC region, any district in that region must be allowed to join the consortium if they wish to do so. No consortium operating in a region may refuse a district within that same region.
- Districts that join a consortium must remain in that consortium for the entire federal fiscal year (October – September). Districts that choose to change consortiums may do so only at the fiscal year change (October). Programs will be required to modify contract effective dates (at the time of contract renewals) to correspond to the federal fiscal year requirement.
- Within a consortium a district's Medicaid eligibility percentage will stand alone and the district will be reimbursed based on their individual district percentage and district expenditures. The consortium may not pool the Medicaid eligibility percentage and district expenditures for all member districts and reimburse based on an average consortium rate.
- Due to the shared staff arrangement within a special education cooperative, all districts within the cooperative arrangement are restricted to the same

method of participation in the program. However, not all of the member districts in a cooperative are **required** to participate in MAC.

- Within a consortium, no district personnel should travel more than 50 miles for training. Arrangements for training locations will be the responsibility of the lead district.
- The school district that is designated as the lead district for the consortium has the following responsibilities:
 - Submission of the implementation plan and list of the participating districts. The lead district must submit an updated list of participating districts to both DHS and TEA quarterly. This list must be submitted at the time the staff roster for sample selection is finalized and prior to that quarter's time study.
 - Ensure compliance with program requirements by all consortium member districts.
 - Ensure the provision of any required training and the appropriate staff access to that training.
 - Facilitating any state or federal reviews of the MAC program.
 - Any audit exceptions, including those resulting in recoupment of funds, are the responsibility of the lead district.

C. Implementation Plan

The lead school districts that choose to participate in the MAC program must submit an implementation plan and receive approval prior to the end of the first quarter of participation. The implementation plan is to be submitted for review and approval to:

Theresa Zeis
Mail Code W421
Texas Department of Human Services
701 W. 51st Street
Austin, Texas 78751

Or to:
P.O. Box 149030
Austin, Texas 78714-9030

The implementation plan is to be submitted on district letterhead and is to include the name and signature of the superintendent, the chief financial officer, and the project coordinator (MAC Coordinator). Once the implementation plan has been approved, a contract can be initiated between DHS and the district (either stand-alone or lead district of a consortium). A sample outline of an implementation plan may be found in Appendix B.

The implementation plan must include the following elements:

- A list of Medicaid-covered services
- Description of the procedures and methods that will be used by the district in operating their MAC program including:
 - local project coordinator and responsibilities
 - time study participants
 - training requirements and methods
 - time study methodology
 - fiscal information
 - audit file/documentation methodology
 - effective dates
 - authorizing signatures
- A list of personnel responsible for the administration of the MAC program
- For a consortium, a list of the member districts to be updated quarterly
- Co-ops – Fiscal agents must list co-op member districts that are participating in the MAC program.

Time Study Methodology

The purpose of the time study is to identify the proportion of administrative time allowable and reimbursable under Medicaid. Staff performing health related activities in a program seeking reimbursement through Medicaid administration will time study using approved methods.

A. Time Study Participants

All districts that participate in MAC will identify allowable Medicaid administrative costs within a given program by having staff who spend a portion of their time performing administrative activities participate in a quarterly time study. The districts must certify that any staff providing services or participating in the time study meet the educational, experiential and regulatory requirements.

The following types of staff have been identified as appropriate participants for the time studies. Additions to the list may be made depending upon job duties. The decision and approval to include additional staff will be made on a case-by-case basis by the DHS MAC Coordinator.

- Nurses (RN, LVN, LPN)
- Nurse Practitioners
- Clinic/Nurse Aides
- Physicians
- Audiologists
- Physician Assistants
- Psychologists, including LSSP's/ Psychiatrists
- Therapists (Occupational, Physical, Speech, Orientation & Mobility)

- Licensed Therapy Assistants (COTA, PTA, SPA)
- Counselors
- Social Workers
- Service Coordinators
- Interpreters/Translators/Bilingual Specialists (no teachers/clerical staff)
- Diagnosticians
- Pregnancy Education and Parenting Program (PEP)

School district personnel who are chosen to participate in the time study pool must be assigned to job categories that describe their job function rather than a generic title that encompasses numerous types of personnel (i.e., pupil support personnel). A miscellaneous group is not acceptable. If a category does include a limited mix of job functions and titles, the functional (or working) job title must be listed beside each person's name.

The districts must certify that the list of staff they are submitting to be included in the eligible staff pool are appropriate for inclusion in the time study and eventual claim. Staff deemed inappropriate during review of time study quarters will be removed from the time study and claim.

Administrative staff such as principals, assistant principals, special education directors, and other managers/supervisory staff are not to be included in the time study. Likewise, there should be no clerical or administrative support staff included. These staff will be included in the claiming process by allocating their time and appropriate costs based on the total time study effort.

B. Time Study Alternatives

Initially, the MAC program will utilize the Worker-Day-Log (WDL) methodology for the quarterly time study process. DHS and TEA, in conjunction with HHSC, will begin efforts to evaluate and develop a Random Moment time study (RMTS) methodology. At such time that an approved RMTS methodology is developed and approved, the use of the RMTS will be allowed.

Worker-Day-Log

The WDL method requires that each worker participating in the time study complete a daily log over a specified period of time. The worker records the activity that took place the majority of the time in each 15-minute segment using the approved set of activity codes.

A minimum of 750 worker-day-logs over consecutive days is required. A worker-day-log consists of one staff person coding their time for one of their normal workdays. The minimum number of days for a time study is five days. The number of staff participating in the time study is one determining factor of the number of days required for the time study. It is strongly recommended that

districts exceed the minimum number of worker-day-logs to handle non-returned and/or non-usable time studies.

Random Moment Time Study

DHS and TEA, in conjunction with HHSC, will work toward the development of a RMTS methodology for use in the MAC program. Once that methodology is developed and approved, districts will be given the option of converting to RMTS rather than WDL time studies.

C. Sampling Requirements

Worker-Day-Log

As stated previously, a minimum of 750 worker-day-logs are required for the quarterly time study using this method. It is strongly recommended that programs exceed this minimum number. Smaller MAC programs may find that they must time study 100% of their staff in order to meet this requirement – either to meet the minimum number of logs or to reduce the required number of days to the minimum 5 day sample. For example, if a program has only 50 staff eligible to time study, then the time study would need to be conducted over 15 days to reach the minimum 750 WDL requirement ($750/50=15$). Larger programs may find that they have sufficient staff to time study a sample of those staff and be able to meet the time study requirements.

If a program decides to conduct their quarterly time study with a sample of staff, the following requirements must be met:

- The sample must be stratified (i.e., each category of staff stands alone)
- The sample must be randomly selected
- The sample pool must include all staff who are eligible to participate in the time study
- The sample must meet federal requirements for statistical validity of 95% confidence with +/-5% error; each stratification must also be statistically valid. It is strongly recommended that programs work with statisticians to develop and/or certify the statistical validity of the sampling methodology.
- The sample must not only determine the number of staff needed for each category of staff, but must also identify the actual participants for the time study
- All staff selected for the time study that participate and return their time study documents must be included in the calculation of allocated time. Excluding completed time study documents because the minimum WDL requirement has been met is not allowed. The only time study documents that may be excluded from the calculations are those that are incomplete

and/or otherwise verifiably unusable. These excluded time study documents must be documented and maintained in the audit file.

- Methodology and records for each quarter's time study sample must be documented and maintained in the audit file

Random Moment

This methodology will be developed at a later date. No districts may use this method until it has been approved.

D. Training

Time study training must be conducted quarterly. Any staff participating in a quarterly time study must receive training prior to that quarter's time study – regardless of how many training sessions a person may have previously attended. Any staff discovered not to have received training during any review will be removed from the time study. The following training guidelines must be met:

- The training must be held quarterly.
- Programs must maintain documentation, by quarter, that all staff participating in the quarter's time study received training.
- Programs may use a variety of training methodologies. Some of these methods include, but are not limited to, on-site trainings, video conferencing, web-based, CD's, videos, and self-training (only after the completion of some form of interactive training has been completed).
- For programs utilizing a train-the-trainer method, it is imperative that those staff designated as trainers be adequately trained. The success of this method is directly related to the ability of the trainers themselves.
- The training must include general Medicaid information, including program information, eligibility guidelines, and local eligibility office information. A discussion of SHARS is not considered general Medicaid information and is not sufficient to meet this requirement.
- Time study staff must not be told which time study codes are reimbursed and which are not reimbursed.
- It is recommended that any training materials used by districts/vendors be submitted for review and comment to DHS. This would include any materials prepared ad hoc by districts such as "cheat sheets" and job specific listings.
- Districts/vendors are encouraged to use and distribute any materials provided by the state regarding the MAC program and time study.

E. Time Study Activities/Codes

The time study codes assist in the determination of time and associated costs that are related to and reimbursable under the Medicaid program. The time study codes have been designed to reflect all of the activities performed by time study participants.

The time study codes are assigned indicators that determine its allowability, federal financial participation (FFP) rate, and Medicaid share. A code may have one or more indicators associated with it. These indicators should not be provided to time study participants.

The time study code indicators are:

Application of FFP rate	50 percent	Refers to an activity that is allowable as administration under the Medicaid program and claimable at the 50% non-enhanced FFP rate.
Allowability & Application of Medicaid Share	U	Unallowable - refers to an activity that is unallowable as administration under the Medicaid program. This is regardless of whether or not the population served includes Medicaid eligible individuals.
	TM	Total Medicaid – refers to an activity that is 100% allowable as administration under the Medicaid program.
	PM	Proportional Medicaid – refers to an activity which is allowable as Medicaid administration under the Medicaid program, but for which the allocable share of costs must be determined by the application of the proportional Medicaid share (the Medicaid eligibility rate). The Medicaid share is determined as the ratio of Medicaid eligible students to total students.
	R	Reallocated – refers to those general administrative activities which must be reallocated across the other activity codes on a pro rata basis. These reallocated activities are reported under Code 15, General Administration.

Effective October 1, 2003 the following time study codes are to be used for the School-Based Medicaid Administrative Claiming program:

Code	Activity	Indicator(s)
Code 1	Non-Medicaid Outreach	U
Code 2	Medicaid Outreach	TM / 50%
Code 3	Facilitating Application for Non-Medicaid Programs	U
Code 4	Facilitating Medicaid Eligibility Determination	TM / 50%
Code 5	School Related and Educational Activities	U
Code 6	Direct Medical Services a. Direct Time b. Indirect Time	U
Code 7	Transportation for Non-Medicaid Services	U
Code 8	Transportation-Related Activities in Support of Medicaid Covered Services	PM / 50%
Code 9	Program Planning, Policy Development and Interagency Coordination Related to Non-Medical Services	U
Code 10	Program Planning, Policy Development and Interagency Coordination Related to Medical Services	PM / 50%
Code 11	Non-Medical/Non-Medicaid Related Training	U
Code 12	Medical/Medicaid Related Training	PM / 50%
Code 13	Referral, Coordination, and Monitoring of Non-Medicaid Services	U
Code 14	Referral, Coordination, and Monitoring of Medicaid Services	PM / 50%
Code 15	General Administration	R

These activity codes represent administrative and direct service activity categories that are used in the school setting. For all activity codes and examples, if an activity is provided as part of, or an extension of, a direct medical service, it may not be claimed as Medicaid administration. Any costs related to medical services should be claimed as Code 6, Direct Medical Services. As required under new federal guidelines, none of the activity codes are reimbursable at the 75% FFP rate.

The detail code definitions and examples may be found in Appendix C.

F. Time Study Documentation/Log Requirement

Worker Day Log

Staff participating in the time study must keep a log for each day of the time study. This log must include the date, time in 15-minute intervals, a description

of the activity, and the code used for this activity. The activity description must contain enough detail to satisfy a desk audit. If an activity description is not clear as to the activity that has been performed, the coding of the activity will be moved to a non-reimbursable activity. These logs must be kept either in the quarterly audit file with the time study forms or by the participant. The minimum retention period for the time study logs is 3 years. These logs must be provided to the state upon request. Failure to provide requested logs will result in the removal of the participant from the time study.

Sample logs may be found in Appendix D.

Random Moment Time Study

The documentation requirements for random moment time studies will be determined during the development of the methodology.

G. Quarter Requirements

The MAC program will operate on a federal quarter basis. These federal quarters are:

Quarter 1 = October – December

Quarter 2 = January – March

Quarter 3 = April – June

Quarter 4 = July – September

Time studies will be conducted for Quarters 1, 2 and 3. The fourth quarter will consist of an average of the 1st three quarter time studies applied against actual 4th quarter expenditures.

The state will not determine the time study period each quarter. Each program may select the time frame (beginning and ending dates) for their time study. The days selected must be consecutive and must be for a minimum of 5 days. Programs must maintain documentation describing how the time study days were selected. For consortiums, all districts must time study on the same time frame. Recognizing that certain days are not reflective of school activities or that school is closed the following days may be excluded from available time study days:

- Labor Day
- Thanksgiving Holiday
- Winter Break
- Spring Break
- Memorial Day

Previously, programs were allowed to exclude standardized testing days for TAAS since these tests were administered statewide over a TEA-defined period. Under the new TAKS assessments, tests are administered periodically during the entire school year. Because of this change in the testing schedules, these days may no longer be excluded from the available time study days.

In order for the 4th quarter averaging to be appropriate certain guidelines must be followed:

- Districts must remain in a consortium for an entire federal fiscal year. Districts may only change consortiums at the fiscal year change over (October). This will ensure that the averaged time study results reflect the membership of the consortium over the entire year. Major events affecting the make-up of a consortium will be handled on a case-by-case basis.
- Categories of time study participants must remain constant throughout the year.
- It is understood that staff will change over the course of the year. The costs to be included in the 4th quarter for each category of participant will consist of the costs of staff that would have been included in the pool had a 4th quarter time study been performed. The following are scenarios for changes in participants that may occur:
 - In the first 3 quarters, Jane Smith participated in the time study as a nurse. In the 4th quarter, Jane Smith is no longer employed by the district and has been replaced by Susan Jones. The costs for Susan Jones would be used in the 4th quarter claim.
 - In the first 3 quarters, Jane Smith participated in the time study as a nurse. In the 4th quarter, the position is vacant. The time study results would be averaged but there would be no costs related to Jane's position.
 - In the first 3 quarters, Jane Smith participated in the time study as a nurse. In the 4th quarter, budget cuts have deleted Jane's position. The time study results would be averaged but there would be no costs related to Jane's position.
 - In the first 3 quarters, there were 3 nurse positions. In the 4th quarter, the district has been able to add another nurse position. The time study results would be averaged and the costs included would reflect all 4 positions.

Claim Development

Participating MAC programs will submit quarterly claims to TDHS on the standardized invoice provided by the state. These claims will be based on the quarterly costs, the time study, the Medicaid eligibility rate, the provider participation rate, and the FFP.

A. Standardized invoice

TDHS will provide all participating programs with a standardized Excel invoice for submission of their MAC claims. This invoice must be used in order to receive reimbursement. The standardized invoice and instructions for completion are in Appendix E.

B. Consortium vs. Stand-alone claims

For stand-alone programs (single district programs), claims will be filed based on the allowable quarterly costs, the district's Medicaid eligibility rate (MER), the provider participation rate, and the FFP.

Consortium claims must be submitted as a consolidated claim. Each member district's reimbursement will be based on its own MER and district expenditures. The consortium may not pool the MER and district expenditures for all the member districts and reimburse based on an average consortium rate.

C. Medicaid Eligibility Rates (MER)

The Medicaid eligibility rates will be used to discount those activity codes that Medicaid does not reimburse at 100%. The MER will be developed annually by the state for each school district.

School districts submit enrollment data for a particular school year only twice during the year. The first submission is a snapshot of one day's enrollment and is not validated or verified by TEA. The second, or final enrollment, submission is not completed by districts and validated by TEA until October of the following school year. For this reason, the MER can only be calculated once per year **and** the MER used for the current year is based on previous year's enrollment and Medicaid eligibility files. This is done to prevent delayed payments (i.e., if current year MER had to be applied against current year claims districts would be required to wait a year for any MAC reimbursement). The state has been using this methodology since 2001 and historically has not seen great variations from year to year in the Medicaid rates. Appendix F contains the historical MERs from FFY 2001 through FFY 2003.

The process for developing the MER is as follows:

- The final PEIMS enrollment data for the previous school year is finalized and validated by TEA
- The Medicaid eligibility files for the August – May period that coincides with the PEIMS data is gathered
- The Medicaid eligibility data is forwarded to TEA for use in the developing the MER. Authorization to provide detailed eligibility information has been received from the State Medicaid Director.

- TEA develops an unduplicated Medicaid eligibility file from the monthly files provided by TDHS
- The unduplicated Medicaid eligibility file is matched against the PEIMS enrollment data. There are 2 matches performed – 1) first is a match based on SSN, 2) for those who do not match based on SSN, a second run is performed based on first name, last name and date of birth.
- The total number of matches divided by the total number of enrolled students (by district) becomes the district's MER.

There are a number of special education cooperatives that participate in MAC and submit claims as a quasi-district. These cooperatives must also calculate an MER. The MER for these cooperatives is based on a weighted average of the member districts of the cooperative. The methodology for calculating the cooperative MER is found in Appendix G.

D. Provider Participation Rate

The CMS guide states that in order for administrative services related to a referral to be reimbursed, the referral for these services must be made to a participating provider. The state may develop a proportional provider participation rate to represent the percentage of referrals to participating providers.

Texas school districts make referrals for Medicaid-covered services to providers both within the district and to outside providers. When these referrals are made to outside providers, parents are given referrals to two main sources - city/county public providers (hospitals/clinics) that are Medicaid providers or to the appropriate managed care organization that has responsibility for that student. Since both of these referral sources are Medicaid providers the provider participation rate in these instances would be 100%. For districts who participate in SHARS and refer for in-house services, again the referral would be made to a Medicaid provider. For those districts that do not participate in SHARS but refer for in-house services, staff will be instructed to code those referrals as non-Medicaid referrals. Any referrals for non-Medicaid covered services would also be coded as non-Medicaid referrals. Since all referrals for Medicaid-covered services would be made to Medicaid providers, the provider participation rate is 100%.

E. Federal Financial Participation (FFP)

Effective October 1, 2003, programs will no longer be allowed to claim expenditures at the enhanced rate for Skilled Professional Medical Personnel (SPMP). All Medicaid reimbursable expenditures will be reimbursed at the 50% rate.

F. Financial Data

The financial data to be included in the calculation of the MAC claim are to be based on actual expenditures incurred during the quarter. These costs must be obtained from actual detailed expenditure reports generated by the district's financial accounting system. Claims may not be based on quarterly budgets.

1. Direct Costs

Direct costs are those costs directly attributable to staff that are included in the time study. This includes the salary, benefits, travel, and any direct overhead for these staff.

2. Administrative Support Costs

Administrative support costs may be included in the MAC claim. There are two types of administrative support costs:

- Direct clerical staff – this includes the salary, benefits, travel, and direct overhead costs associated with clerical staff that **directly support and are supervised** by time study participants. These staff would include secretaries/administrative assistants for counselors, nurses, diagnosticians, etc. Expenditures of contracted service providers related to Medicaid administrative activities are also included.
- Supervisory staff – this includes the salary benefits, travel and direct overhead costs associated with staff that supervise time study participants. These staff would include principals, assistant principals, special education directors, and other managers and supervisory staff whose primary function involves supervision of time study participants. This does not include the secretarial staff for these supervisory positions (i.e., the office secretary would not be included in these costs.)

For those participants who supervise only staff that are time study participants and their direct clerical staff, 100% of their costs may be included in this pool. This might include the Special Education Director, Director of Nursing, etc.

For those participants who supervise staff that are included in the time study and those that are not, an allocated portion of their costs may be included in the claim. This would include principals, assistant principals, and any other staff that fall into this category. The costs should be allocated based on the total number of supervised participants in the time study divided by the total

number of supervised staff multiplied against the costs of these supervisory staff.

These administrative support costs would be included in the claim as a reallocated cost. That is, these costs would be allocated across the activity codes based on the time study results generated by the time study participants. If any of these costs are included in the calculations of the district's indirect rate they may not be included as part of these administrative support costs.

3. Indirect Costs

Indirect costs included in the claim are computed by multiplying the direct and administrative support costs by the districts' approved unrestricted indirect cost rate. These indirect rates are developed by TEA for districts and are updated annually. The methodology used by TEA to develop the indirect rates has been approved by the cognizant federal agency, as required by the CMS guide.

Indirect costs are included in the claim as reallocated costs.

4. Unallowable Costs

Costs that may not be included in the claim are:

- i. Direct costs related to staff who are not identified as eligible time study participants (i.e., costs related to teachers, cafeteria, bus/school transportation, and all other non-Medicaid administrative areas)
- ii. Costs that are paid with 100% federal funds
- iii. Any costs that have already been fully paid by other revenue sources (federal, state/federal, recoveries, etc.)

5. Revenue Offset

Expenditures included in the MAC claim are often funded with several sources of revenue. Some of these revenue sources require that expenditures be offset, or reduced, prior to determining the federal share reimbursable by Medicaid. These "recognized" revenue sources requiring an offset of expenditures are:

- Federal funds (both directly received by the district and pass through from state or local agencies)

- State expenditures that have been matched with federal funds (including SHARS). Both the state and federal share must be used in the offset of expenditures.
- Third party recoveries and other insurance recoveries

G. Claim Certification

Districts will only be reimbursed the federal share of any MAC billings. The chief financial officer or superintendent of the districts will be required to certify the accuracy of the submitted claim and the availability of matching funds necessary. The certification statement will be included as part of the invoice and will meet the requirements of 42 CFR 433.51.

Districts will be required to maintain documentation that appropriately identifies the certified funds used for MAC claiming. The documentation must also clearly illustrate that the funds used for certification have not been used to match other federal funds. Failure to appropriately document the certified funds could result in non-payment of claims.

For consortiums, the lead district will be required to submit an overall certification form for the claim. The member districts must provide certification of their portion of the claim to the lead district. Documentation of these district certifications must be maintained at the lead district and member district levels.

H. Claim Submission and Timeframes

Claims for MAC are to be submitted on a quarterly basis using the state provided invoice. A template containing the detailed spreadsheet and the certification form will be provided to all participating programs.

1. Stand-Alone Districts

The district will submit its' invoice and certification using the district's quarterly expenditures and revenues. The district must submit a signed certification page conforming to the requirements of 42 CFR 433.51.

2. Consortiums

Each member district of a consortium must have an individually prepared invoice using the districts' quarterly expenditures, revenues and MER. Each member district is required to submit a signed certification page conforming to the requirements of 42 CFR 433.51. The lead district is responsible for maintaining these member district certifications for audit/documentation purposes. The lead district will submit a consolidated certification page for the consortium equaling the sum of the member

district invoices. The appropriate representative of the lead district will sign the consolidated certification of the consortium invoice.

3. Submission

The claims may be submitted either electronically or by paper copy. For those submitting electronically it is required that a disk or CD be provided rather than submitting via email. If the invoice is submitted electronically, the program must provide an original signed certification form.

The following elements of the claim must be provided before payment processing will be completed:

- A list of participating districts in the claim
- The quarterly time study results used to calculate the claim – by category and by participant
- Completed invoice spreadsheets – all pages; for consortiums, completed invoices must also be provided for member districts
- A signed original certification statement; for consortiums, the consolidated certification statement

4. Timeframes

Claims should be submitted as soon as possible after the quarter is complete. Federal Medicaid regulations require that claims must be filed within a two-year period beginning on the first day of the calendar quarter following the quarter in which the expenditure was made (42 CFR Subpart A, 42 CFR 95.13(d), 42 CFR 95.4). ISDs are subject to these timely filing requirements. The timely filing period equates to 8 quarters, that is, expenditures for the March 03 quarter must be filed by March 05. Program must submit claims by the federally required deadline in order to receive payment. Any claims received after the federal deadline will not be reimbursed.

For consortiums, it is preferable that all member districts be submitted in one claim. However, programs should not hold claims indefinitely if only a few districts have not submitted their claim for inclusion in the consolidation. Consortiums may submit the invoice without these delinquent districts to avoid delayed payments to districts that have submitted their information timely. Consortiums may submit revised invoices at a later date for those districts that submitted late claims, however, these revised invoices will be processed on an as-time-allows basis. At no time will an invoice for a member district filed after the federal filing guidelines be processed. It must be stressed that it is the

responsibility to ensure that member districts fulfill all MAC requirements and contractual obligations including timely submission of claim data.

Documentation & Recordkeeping Requirements

It is required that all MAC programs maintain documentation supporting the administrative claim. The programs must maintain and have available upon request by state or federal entities the contract with the state to participate in the MAC program, the program's approved implementation plan for MAC, and for consortiums, the contracts with the member districts. If programs elect to contract with outside providers for the administration of the MAC program, the contract must also be made available upon request.

Some documentation must be maintained quarterly. This information must be available upon request by state or federal entities. The quarterly requirements for the different entities are outlined below.

A. Local ISD

Each participating district will maintain a quarterly audit file containing, at a minimum, the following information:

- a roster of eligible individuals, by category, submitted for inclusion in the participant sample pool
- verification of compliance with training requirements by time study participants
- financial data used to develop the expenditures and revenues for the claim calculations including state/local match used for certification
- documentation of the district's approved indirect rate
- a copy of the completed district claim including a copy of the certification form

B. Lead District of Consortium

The lead district of a consortium must meet the documentation requirements of any local district detailed above. In addition, the lead district must maintain the following information relating to the consortium:

- a list of participating districts in the quarter's time study
- a list of all eligible time study participants for the consortium, by category, documenting those actually selected to participate in the time study
- the signed, original certification forms submitted by the member districts for their claims
- a copy of the consolidated claim including individual member district claims (may be electronic)

- documentation of payments made to member districts upon receipt of MAC reimbursement from the state

C. Third Party Providers

Some MAC programs may have chosen to contract with outside providers to administer their MAC program. These vendors must also meet any required documentation requirements necessary, including:

- a copy of the contract with the lead district (does not need to be in each quarterly file)
- a list of the participating districts in the quarterly time study
- documentation of the sampling methodology to select the time study participants
- a list of all eligible time study participants, by category, documenting those actually selected to participate in the time study
- time study results for the quarter
- financial information submitted by the member districts for claim calculations, including certification statements
- a copy of the final claim, stand alone or consortium
- documentation of the district indirect rates used for claim calculations
- documentation of the district MER used for claim calculations

D. Worker Day Logs

The worker day logs maintained by participants during the time study are an integral part of the time study process and are therefore subject to the same documentation and retention requirements as any other part of the MAC quarterly time study or claiming process. The logs are legal documents that must be provided at any time upon request. This has historically been an area of weakness, although retention of these documents has improved over time.

One issue with these worker day logs is where they will be maintained. Some programs have collected these logs while others have required that time study participants keep them. Other programs have made the logs an integral part of the scantron form. The MAC programs may determine which method of retention for these documents it will use. However, it must be stressed that these logs are the main source of proof or validation of the accuracy of the time study. Failure to adequately maintain this documentation could result in the invalidation of a time study and disallowance of the claim for reimbursement.

E. Retention period

Documentation must be retained for the minimum federally required time period. Federal guidelines (42 CFR 433.32) state the retention period is 3

years unless there is an outstanding audit. The state's recommendation is for programs to maintain the administrative claiming documentation for 5 years.

Oversight & Monitoring

Federal guidelines require the oversight and monitoring of the administrative claiming programs. This oversight and monitoring must be done both at the program and at the state level.

A. Program Level Oversight and Monitoring

Each participating MAC program must submit and receive approval of an implementation plan. The plan must describe how the MAC program will be implemented and oversight and monitoring actions that will be taken to ensure compliance with MAC requirements.

Actions must be taken to ensure, at a minimum, that:

- the time study is performed correctly
- the time study results are valid
- the financial data submitted is true and correct
- training requirements are met
- appropriate documentation is maintained to support the time study and the claim
- for consortiums, the lead district must ensure that member districts comply with all MAC requirements

B. State Level Oversight and Monitoring

The state is also charged with performing appropriate oversight and monitoring of the MAC programs to ensure compliance with state and federal guidelines. DHS, in conjunction with TEA, is the responsible agency for this required monitoring and oversight effort.

1. Areas of Review

The state will monitor and review various components of the MAC programs operating in the state. The areas of review include, but are not limited to,

- the time study – sampling methodology, the sample, and time study results
- compliance with training requirements
- financial reviews
- documentation compliance

2. Frequency

All MAC programs should be monitored at least once per year. This monitoring will consist of either an on-site, desk, or combination review. For this annual monitoring process, one quarter will be selected for in-depth review. Participating programs will be required to fully cooperate in providing information and access to necessary staff in a timely manner to facilitate these efforts. Programs that do not fully cooperate in the review process may be subject to sanctions.

For other quarters, trends will be examined – i.e., total costs in the claim, time study results, reimbursement levels. Any significant variations from historical trending will be communicated to the programs for explanation of the variance.

3. Scoring Criteria and Sanctions

Historically, MAC reviews focused primarily on verifying the validity of time study responses. A program was deemed in compliance if time study participants, as a whole, scored a minimum of 70% correct responses in time study coding. A program scoring lower than 70% correct responses was deemed not in compliance and was put on “hold” until the program was able to pull its performance up to the minimum level. Other areas requiring corrective action were identified and districts were required to address and correct those issues. Only if these other areas were significant enough to invalidate the time study or the claim would they result in a determination of non-compliance. Additionally, if programs repeatedly failed to correct identified areas of concern, they could be deemed non-compliant.

This minimum scoring level for time study participants will be maintained for the implementation phase of the new guidelines. Districts will be required to improve performance in subsequent years. Specific scoring requirements have not yet been developed for subsequent years. In addition, greater emphasis will be placed on financial reviews and validation of sampling methodology and the participant sample.

The state will pursue remedial action for programs that fail to meet MAC program requirements or fail to correct problems identified during review. Examples of actions that will cause implementation of sanctions include, but are not limited to:

- failure to meet the minimum scoring criteria by time study respondents
- repeated and/or uncorrected errors in claims, including failure to use the state provided claiming invoice

- failure to cooperate with state and/or federal staff during reviews or other requests for information
- failure to maintain adequate documentation
- failure to provide accurate and timely information to lead districts or third party vendors as required

Sanctions the state may impose include placing programs on “payment hold”, conducting more frequent monitoring reviews, recoupment of funds, and ultimately, cancellation of the program’s contract.

