

STATE OF MISSOURI



MO HEALTHNET  
SCHOOL-BASED  
INDIVIDUALIZED EDUCATION PLAN (IEP)  
DIRECT SERVICES COST SETTLEMENT MANUAL

Annual Cost Report, Reconciliation and Cost Settlement

DATE

## Table of Contents

1	INTRODUCTION .....	1
2	TERMINOLOGY .....	1
3	BACKGROUND .....	2
4	PARTICIPATION REQUIREMENTS FOR DIRECT SERVICES COST SETTLEMENT PROGRAM.....	3
4.1	Sign an Cooperative Agreement .....	4
4.2	Participate in the Random Moment Time Study.....	5
4.3	Submit Fee-for-Service Direct Services Claims for On-going Interim Payments to MMIS .....	5
4.4	Annually Complete and Submit Cost Report.....	5
4.5	Submit Cost Reconciliation and Certification of Costs .....	6
4.6	Maintain Program Compliance and Support Reviews.....	6
5	DIRECT SERVICES COST SETTLEMENT COST REPORT.....	6
5.1	Complete the Cost Report.....	6
5.1.1	Time Study Statistics .....	6
5.1.2	Cost Data for Direct Medical Services .....	7
5.1.3	Medicaid IEP Ratio.....	7
5.1.4	Unrestricted Indirect Cost Rate.....	8
5.1.5	Medicaid Fee-for-Service Paid Direct Services Claims .....	8
5.2	Calculate the Cost Settlement .....	8
5.3	Certify the Cost Report .....	8
6	COST RECONCILIATION.....	8
7	ANNUAL COST SETTLEMENT PAYMENT .....	9
8	COST REPORT ADJUSTMENT.....	9
9	DESK AND ON-SITE REVIEWS .....	10
10	COMPLIANCE REVIEW PROGRAM .....	10

## **MO HEALTHNET SCHOOL-BASED INDIVIDUALIZED EDUCATION PLAN (IEP) DIRECT SERVICES PROGRAM**

### **1 INTRODUCTION**

The purpose of the MO HealthNet Division (MHD) School-Based Cost Settlement Manual (the “Manual”) is to inform public school districts, including public charter schools (hereafter referred to as school districts), state agencies, and other interested parties on the appropriate methods for completing and submitting annual cost reports and the cost settlement of Medicaid school-based IEP direct services (hereafter referred to as direct services) activities performed in the school setting. This manual explains the MHD direct services program and is intended to provide technical assistance for School Districts participating, or wishing to participate, in the program.

Under the Medicaid direct services program, school districts in Missouri may enroll as a Medicaid provider for children who are eligible under the Medicaid program and the Individuals with Disabilities Education Act (IDEA). The Missouri Department of Elementary and Secondary Education (DESE) is responsible for ensuring that school districts comply with the IDEA requirements as well as with the requirements related to the child’s IEP. Providers shall be enrolled in accordance with MHD policies.

School districts submit procedure-specific fee-for-service direct service claims through the State’s Medicaid Management Information Systems (MMIS), either directly or through a billing agent, for all MO HealthNet allowable direct services provided to eligible children and are reimbursed the federal share of the MO HealthNet established rate for the service.

The cost settlement process establishes the actual costs to a school district for the delivery of MO HealthNet covered direct services to its Medicaid-eligible students. The annual cost reporting, reconciliation and settlement process requires submission of a cost report. The cost report captures all payments for direct services provided in the applicable fiscal year and all relevant associated costs incurred in the same fiscal year.

This manual contains information regarding the MO HealthNet Cost Settlement process. The procedures for the Cost Settlement process are not regulatory; however, they have been endorsed by the Missouri Department of Social Services (DSS), MO HealthNet Division (MHD) – the State Medicaid agency. The procedures contained herein are supplemental to the “Medicaid School District Administrative Claiming Manual – Effective April 1, 2015”, which was approved by the Centers for Medicare and Medicaid Services (CMS), and in compliance with the State Plan Amendment (SPA), submitted to CMS for approval.

### **2 TERMINOLOGY**

- a) The terms “Public School District” and “School District” are used interchangeably to represent a participating Billing Provider enrolled with the MO HealthNet Program.
- b) The term “Performing Provider” is used to represent an individual provider or agency qualified to provide MO HealthNet Program services and enrolled as a MO HealthNet Program provider.

### 3 BACKGROUND

In 1975, Congress amended the Education for the Handicapped Act with Public Law 94-142 to provide protections for parents and children and assist states and local education agencies with the excess cost of educating children with disabilities. Children with disabilities must be provided a free appropriate public education including the special education and any related services that are necessary for the children to benefit from special education. Some children require related services that may be medically necessary and reimbursable by Medicaid.

In 1988, Congress amended the Social Security Act to allow states and local education agencies to access Medicaid federal funds to assist in their efforts to educate children with disabilities (the Medicare Catastrophic Healthcare Act, Public Law 100-360). Title XIX of the Social Security Act (the Act) is a federal-state matching entitlement program (the Medicaid program) which provides medical assistance for certain low-income individuals. Federal and state governments jointly fund the Medicaid program with each individual state administering the program to assist in the provision of medical care to eligible recipients. States must operate their Medicaid programs within the parameters of federal Medicaid laws and regulations.

The state and the federal governments share funding for the Medicaid program, and the amount of total federal payment to states for Medicaid has no set limit. Federal Financial Participation (FFP), which is the federal government's share for states' Medicaid program expenditures, is generally claimed under (1) administrative claiming or (2) direct services claiming ("Fee-for-Service" or "FFS"). The information in this Manual refers to direct services. In Missouri, the School District Administrative Claiming (SDAC) program is operated as a separate program.

The IDEA requires public school systems to make a free appropriate public education available to all children with disabilities by responding to their individual needs, regardless of the nature or severity of their disabilities.

"Free appropriate public education" is defined in the IDEA as special education and related services (1) provided to children with disabilities at public expense; (2) under public supervision and direction, and without charge; (3) that meet the standards of the state education agency; and (4) are provided in conformance with an Individualized Education Program (IEP) that is developed consistent with the federal regulations.

- "Special education" is defined in federal regulations (34 CFR 300.26) as specially designed instruction, which meets the unique needs of the child and includes instruction conducted in the classroom, in the home, in hospitals and institutions, and in other settings and instruction in physical education.
- "Related services" are defined at 34 CFR 300.24 as "transportation and such developmental, corrective, and other supportive services as are required to assist a child with a disability to benefit from special education." This includes:
  - Counseling services;
  - Early identification and assessment of disabilities;
  - Medical services for diagnostic and evaluation purposes;
  - Occupational therapy;
  - Orientation and mobility services;
  - Parent counseling and training;
  - Physical therapy;

- Psychological services;
- Rehabilitation counseling services;
- School health services;
- Social work services in schools; and
- Speech-language pathology and audiology services.

The IDEA provides some federal financial assistance to states and local school districts for special education and related services provided to children through a child's IEP. For those children identified and determined to have a disability in accordance with the requirements of the IDEA, an IEP must be developed by a team of individuals as defined in state and federal regulations. The IEP is statutorily defined and requires specific elements.

Not all of the special education and related services required by the IDEA and included in a child's IEP are within the scope of the Medicaid program. Only those *medically necessary* IDEA services that are described in the federal definition of "medical assistance" can be covered as Medicaid services when furnished by qualified participating Medicaid providers.

In the State of Missouri, certain direct services are eligible for federal reimbursement to school districts if provided by a qualified provider, address a medical or mental disability, assist the eligible student in benefiting from special education programming, and are included and provided in accordance with the child's IEP. These activities are considered "direct medical services" and are governed by both federal and state rules.

- a) Physical Therapy
- b) Occupational Therapy
- c) Speech Therapy
- d) Private Duty Nursing
- e) Behavioral Health
- f) Hearing Aid
- g) Personal Care Services

MO HealthNet covers direct services included in an IEP under the following conditions:

- the services are medically necessary and included in a Medicaid-covered category (speech therapy, physical therapy, etc.);
- all other federal and state Medicaid regulations are followed, including those for provider qualifications, comparability of services and the amount, duration and scope provisions; and
- the services are included in the State's plan or available under EPSDT.

## **4 PARTICIPATION REQUIREMENTS FOR DIRECT SERVICES COST SETTLEMENT PROGRAM**

School Districts have the option of participating in the SDAC program and/or Direct Services program. However, participation in the Direct Services program and the Cost Settlement Process requires participation in the statewide Random Moment Time Study (RMTS). The RMTS is administered through the SDAC program. Participating school districts must include all medical

performing providers on the school district's quarterly SDAC roster to be included in the RMTS if they provide Medicaid-billable direct services.

The participation in the Direct Services and Cost Settlement process requires that the school district comply with the following steps:

- Sign an Cooperative Agreement
- Participate in the RMTS
- Submit Fee-for-Service Direct Services Claims for on-going Interim Payments to MMIS
- Submit total number of IEP students as of December 1 for calculation of the IEP Ratio
- Submit Cost Data for Allowable Costs
- Submit Cost Reconciliation and Certification of Costs
- Maintain Program Compliance and Support Reviews

#### **4.1 Sign an Cooperative Agreement**

Participation in the direct service cost settlement process involves a contractual relationship between the Missouri DSS/MHD and a school district. This contract or cooperative agreement binds the DSS and a school district's Board of Education in a relationship whereby the Department is obligated to reimburse the school district when it performs certain claimable direct services activities and annually submit a final and approved cost report on behalf of the school district. The school district is required to participate in the RMTS; submit on-going fee-for-service direct services claims to MMIS to receive interim payments; submit electronically the student list for students with IEPs and related services; complete, certify and submit an annual cost report; participate and cooperate with any program and cost data reviews; and comply with all program requirements.

The cooperative agreement explains the objectives of the program and the respective responsibilities of the parties to the agreement. The obligations of a school district, as specified in the cooperative agreement, are essentially those outlined in the following sub-sections.

The federal government requires that cooperative agreements include:

- The mutual objectives and responsibilities of all parties to the agreement;
- The activities or services each party offers and under what circumstances;
- The specific description and methodology (by reference or inclusion) approved by CMS for submitting the annual cost report
- The cooperative and collaborative relationships at the State and local levels; and
- The methods for payment or reimbursement, exchange of reports and documentation, and continuous liaison between the parties, including designation of State and local liaison staff.

Once a school district submits a signed cooperative agreement to the DSS, they must also provide the written methodology of how the school district will meet the requirements of the agreement. The signed agreement will be approved by the state agency and a copy will be returned to the school district.

Participation in the direct service cost settlement program requires participation in the SDAC RMTS and adherence to all relevant legal and logistical guidelines in the SDAC program. Refer to Section 5.2 Step #2 of the SDAC Manual for further details.

A school district representative who is interested in participating in the direct services cost settlement program should request a copy of the cooperative agreement by writing or calling the MO HealthNet Division. Inquiries should be addressed to:

Department of Social Services  
MO HealthNet Division  
Program Operations Unit  
P.O. Box 6500  
Jefferson City, MO 65102-6500  
(573) 751-9290  
Email: [MHDSchoolPrograms@dss.mo.gov](mailto:MHDSchoolPrograms@dss.mo.gov)

## **4.2 Participate in the Random Moment Time Study**

The RMTS is a federally-approved process used to identify the proportion of direct services time allowable and reimbursable under Medicaid. This information is used for the cost report process described in this Manual to enable the school district to conduct a cost settlement at the end of the fiscal year in the direct services program.

Direct and indirect reported expenditures are allocated to Medicaid based on the yearly results of the statewide RMTS conducted on a quarterly basis. Staff expenditures for each school district are identified for staff participating in the RMTS with the inclusion of the applicable school district Indirect Cost Rate (ICR) to cover associated school administrative costs (accountant, business office, etc.).

Participation in the direct services cost settlement process requires participation in the statewide RMTS. Participating school districts must include all medical performing providers who provide Medicaid-billable direct services on the quarterly SDAC roster to be included in the RMTS, ensuring that the performing providers are enrolled as providers with MO HealthNet.

The cost settlement uses the same RMTS process used for the SDAC program. The details of the activities and the entire RMTS process are described in detail in the SDAC Manual.

## **4.3 Submit Fee-for-Service Direct Services Claims for On-going Interim Payments to MMIS**

Participating school districts are required to submit on-going direct services claims to MMIS to receive interim payments, using MHD claim submission procedures. A school district does not qualify for the year-end cost settlement process without the submission of on-going fee-for-service direct services claims.

## **4.4 Annually Complete and Submit Cost Report**

Each year, school districts participating in the Cost Settlement process are required to submit a completed Cost Report. The required information is described in Section 5 Annual Cost Report.

## 4.5 Submit Cost Reconciliation and Certification of Costs

After finalization of the cost data reconciliation with the interim direct services claims, and approval by MHD Management or its designee, the school districts are required to submit a Certification of Costs, signed by the school district's authorized finance officer. The final cost settlement and the Certification of Costs are to be submitted to MHD or its designee no later than 16 months after the close of the state fiscal year (July 1 – June 30).

## 4.6 Maintain Program Compliance and Support Reviews

The participating school districts will comply with the program requirements and the approved SPA, the signed cooperative agreement and this Cost Settlement Manual. The school districts will cooperate with MHD or its designee during program and cost data collection and desk reviews and agree to comply with the findings and adjustments to the funding.

# 5 DIRECT SERVICES COST SETTLEMENT COST REPORT

## 5.1 Complete the Cost Report

The five main elements of a Direct Services Cost Settlement Report are all cost allocation components. They are:

- Time Study Statistics based on a RMTS
- Cost Data for Direct Medical Services includes school district costs, both direct and indirect, that are related to staff on the SDAC roster that were included in the RMTS
- IEP Ratio is the school district-specific percentage of the IEP student population with related services who are MO HealthNet eligible. The numerator is the count of MO HealthNet eligible IEP students with related services and the denominator is the total number of IEP students with related services
- Unrestricted Indirect Cost Rate is provided by the DESE
- Medicaid Fee-for-Service Paid Direct Services Claims is the total amount of paid claims for the school district, based on service date, for the cost settlement period (July 1 – June 30)

These components are further explained in the following sections.

### 5.1.1 Time Study Statistics

The staff in a public school setting who are likely to perform Medicaid-related direct services should be included on the quarterly SDAC roster to be included in the RMTS. A statistically valid sample of staff moments worked during the quarter is selected and RMTS observations completed by the roster staff. The activities on the observation form are consistent with the activities identified by CMS and the State's 2015 SDAC Manual.

The required documentation for this process is extensive (rosters, the random moments selected, and the time study results) and must be maintained and undergo a rigorous quality control process.

### 5.1.2 Cost Data for Direct Medical Services

The key component of the cost data is the accuracy of reporting allowable cost by the school district, which must certify the reported expenditures and retain and make available supporting documentation as it relates to the school district's audited financial statements.

All direct services costs, both direct and allowable indirect, that are related to staff on the SDAC roster that are included in the RMTS are entered on the Cost Report and included in the claim calculation. These costs are:

- Salaries and Benefits of staff employed by the school district and included on the SDAC rosters and in the RMTS
- Contract costs for eligible Direct Medical Services Providers contracted by the school district from outside agencies and included on the SDAC rosters and in the RMTS
- Other allowable costs related to staff providing direct medical services and included on the SDAC rosters and in the RMTS. These costs include supplies, materials, dues and fees, and travel.
- Approved direct medical services material, supplies and equipment costs

The following costs should not be included on the cost report:

- Personnel or other expenses which are fully federally-funded

All cost data is required to be submitted on the cost report, approved and certified no later than 16 months after the close of the state fiscal year (July 1 – June 30).

### 5.1.3 Medicaid IEP Ratio

Calculation of the school district IEP ratio is accomplished using the method described in this section. Each year, participating school districts are required to determine the total number of students with an IEP enrolled in the MO HealthNet program and the total number of students with an IEP as of December 1. These statistics are entered on the cost report and used to automatically calculate the school district's IEP Ratio.

Each year, the school district will electronically submit a student data file in a prescribed format to the Information Technology Services Division (ITSD) by December 31. The student data file will then be matched to the state MO HealthNet eligibility file for the cost reporting year.

School districts will send a Microsoft Excel file containing a list including only students with an IEP and the following data (in this order): a special four digit identifying number for the school district (supplied to the school district by MHD), student date of birth, student last name and student first name and the calendar quarter dates (from and through) to be searched. The fields on the file for the date of birth and the calendar quarter dates will be in Julian format (CCYYJJJ). For example, December 1, 2015 would be 2015336. This file will be matched to the eligibility file and once eligibility is established, an e-mail will be sent by ITSD to the school district containing the number of students submitted, the number of students eligible for MO HealthNet, and the percentage

of MO HealthNet eligible students in the school district (IEP Ratio). The eligible percentage will be carried out to two decimal places.

#### 5.1.4 Unrestricted Indirect Cost Rate

DESE will determine and provide the Unrestricted Indirect Cost Rate used in calculating the claim. This statistic is entered on the Cost Report.

#### 5.1.5 Medicaid Fee-for-Service Paid Direct Services Claims

The total dollar amount for all fee-for-service direct services payments made through the State MMIS for the cost reporting period must be entered in the cost report.

### 5.2 Calculate the Cost Settlement

Data from the five components detailed above undergo a comprehensive quality control process and are then used to calculate the cost settlement amounts by school district. The documentation from this process includes all of the input data and the quality control results from a review of this data.

The school district cost settlement includes two calculations:

- **Personnel Direct Medical Services:** The claimable percentage applied to Direct Medical Services costs is the multiplication of RMTS and the IEP Ratio.
- **Non-Personnel Direct Medical Costs:** The claimable percentage applied to Non-Personnel Direct Medical Costs (e.g., durable medical equipment, etc.) using only the IEP Ratio. The RMTS percentage is not applicable for these costs.

### 5.3 Certify the Cost Report

The school district must include a signed Cost Settlement Certification Statement with the Cost Report stating that the expenditures are supported in the school district's accounting system and are total computable expenditures which comply with MO HealthNet federal matching requirements. A copy of this form can be found in Attachment I.

The Cost Settlement Certification Statement must be signed by an authorized school district officer (e.g., Business Manager, Finance Director, etc.), who certifies the accuracy and reliability of the cost report data.

## 6 COST RECONCILIATION

After all data is entered into the cost report, the total MO HealthNet-allowable cost is then compared to the MHD interim payments paid to the school district during the reporting period as documented in the MMIS. Any difference between these two totals results in a reconciliation in which the school district will either receive additional funds or pay back a portion of funds received through the interim payments. The cost reconciliation process must be completed by no later than 17 months after the close of the state fiscal year (July 1 – June 30). For integrity purposes, the federally-approved scope of costs, cost allocation methodology procedures and the RMTS results or processes cannot be modified by the MHD or its designee. Any modifications to these processes require approval from CMS prior to implementation.

## 7 ANNUAL COST SETTLEMENT PAYMENT

If a school district's interim payments exceed the total certified costs, as identified in the school district's cost report, the school district is required to return an amount equal to the overpayment back to the State. The school district can have the repayment deducted from the succeeding interim payments or have 60 days to return the overpayment to MHD. If the total certified costs, as identified in the school district's cost report, exceed the interim payments, the State will pay the federal share of the difference to the school district. Once the reconciliation amount has been finalized by the Department or its designee, the school district will receive a cost reconciliation and settlement letter that denotes the final amount due to or from the school district.

## 8 COST REPORT ADJUSTMENT

After the cost settlement or final reimbursement has occurred, if a school district would like to request a financial adjustment to a cost report, the request must be made in writing to MHD or its designee. The request must be made within 12 months of the annual cost report cost settlement date. The school district must ensure that any request to adjust a cost report contains documentation necessary to support the request and that the request is sent to MHD or its designee at least 90 days in advance of the expiration date.

The school district's request should:

- Specify the cost reporting period. Where multiple cost reporting years are impacted, the school district must submit a separate financial adjustment request for each.
- Identify the issue or error to be addressed.
- Reflect the reimbursement or cost settlement impact, if known.
- Include documentation in sufficient detail to support the requested adjustment or error. Sufficient detail encompasses submission of financial documents, Medicaid match lists for eligibility ratios, provided by appropriate MO HealthNet enrolled providers and supporting work papers or source documentation, where necessary.

The MHD and its duly authorized agent shall determine the adjustment request based on the following:

- new material or evidence, or
- a clear and obvious error, or
- an inconsistency with the law, regulations or rulings.

An adjustment by MHD is not required due to these criteria, but merely permits that action. As such, a conservative view will be approached when considering a financial adjustment and in determining what shall be reviewed. For example, items or evidence that were in, or should have been in the school district's possession during the original cost report or quarterly administrative claim submission, but for whatever reason were not included, shall not be considered "new" material or evidence. If MHD accepts an adjustment and makes changes to a finalized document, MHD or its designee shall re-issue a cost reconciliation and settlement letter to the school district that outlines the adjustment and identifies the new cost settlement amount or reimbursement.

If the financial adjustment indicates an overpayment of funds the school district shall have the repayment deducted from the succeeding interim payments or have 60 days to return the overpayment to MHD. This policy does not replace a determination made during a state or federal audit to adjust or correct a cost report outside of the 12-month time frame.

## 9 DESK AND ON-SITE REVIEWS

MHD and/or its designee will schedule periodic off-site (desk) reviews and onsite reviews of cost reports for all school districts. A minimum of five (5) reviews statewide will be conducted on-site. A sample of participating school districts will be randomly selected on a pre-determined rotating schedule to ensure that each school district is reviewed at least once every five (5) years.

Examples of types of documentation reviewed include:

- Copies of claims submitted and financial documents necessary to verify state matching funds
- Annual cost report data compared with data in the school district's financial system
- Accuracy and completeness of SDAC rosters
- Staff salaries and benefits costs compared to SDAC rosters
- Appropriate staff are included on the cost report
- Supporting documentation for contracted costs claimed
- Accuracy of the Indirect Cost Rate and Medicaid IEP Ratio calculations
- Supporting documentation is provided by the school district consistent with what was included on the cost report
- Staff whose salary is 100% federally funded or 100% used as state match are not on the roster and subsequently not in the cost report
- Paid claims for Medicaid reimbursement during a specified year

## 10 COMPLIANCE REVIEW PROGRAM

Ongoing evaluation of the Direct Services Cost Settlement process is a federal requirement. The DSS, or its designee, will have the lead in monitoring and quality control functions.

MHD or its designee will perform the following on a quarterly basis:

- Review a randomly selected sample of school districts in the statewide SDAC cost pool that were included in the RMTS; no less than 20 school districts per quarter will be selected for the review
- The selected school districts will produce the SDAC staff rosters that were included in the RMTS and all supporting documentation for verification of salaries and benefits and Other Cost data included on the submitted cost reports
- The review will include examine copies of claims submitted and compare against school district financial documents to verify state matching funds
- Following the review, a detailed Compliance Review report will be produced, and the results shared with the school district

- Significant non-compliance issues will be immediately addressed by MHD or its designee to include a plan of action and a follow-up review scheduled
- If a compliance review demonstrates that a school district's cost report was in error, MHD or its designee will request the school district to recalculate and resubmit the cost report
- Any incorrect cost reports which result in an overpayment to the school district will require the school district to repay the funds

DRAFT