



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

DATE: January 22, 2021 **PPL 21-003**

TO: Local Governmental Agency (LGA) Coordinators for the Targeted Case Management (TCM) Program

SUBJECT: Personal Protective Equipment (PPE) Costs as Reported in the TCM Cost Report

This Policy and Procedure Letter (PPL) notifies all LGAs participating in the Department of Health Care Services' (DHCS) TCM program that beginning with the service period for State Fiscal Year 2019-20, PPE costs are allowable medical supply costs that can be included in the TCM Cost Report.

Background

Per the California State Plan, Attachment 4.19-B, LGAs participating in the TCM program must annually complete and submit a TCM Cost Report in the format approved by the Centers for Medicare and Medicaid Services (CMS) and as required by DHCS. The TCM Cost Report allows DHCS to determine each LGA's TCM program cost for the service period. The submitted cost report includes the LGA's public expenditures that are eligible for federal financial participation (FFP) pursuant to Title 42 Code of Federal Regulations (C.F.R.) Section 433.51.

The California State Plan, Attachment 4.19-B, Section B (2)(g), also states that allowable costs will be determined in accordance with "all applicable federal and State directives as periodically amended, which establish principles and standards for determining allowable costs and the methodology for allocating and apportioning those expenses to the Medi-Cal program ..."

New Directives

On March 4, 2020, Governor Newsom declared a State of Emergency in California because of the threat of the coronavirus disease (COVID-19) stating, among other things, "state and local health departments must use all available preventative measures to combat the spread of COVID-19 ... to prepare for and respond to any potential cases and the spread of the virus."

On June 30, 2020, CMS published updated COVID-19 guidance related to PPE in a document titled "[NEW FAQs – Released June 30, 2020](#)." The FAQ states, "States may set Medicaid payment rates consistent with efficiency and economy and have the option of increasing service rates to incorporate PPE costs or paying an add-on to a service rate for PPE costs in instances when such equipment is necessary to deliver care to a beneficiary. PPE is not a distinct benefit under the Medicaid or [Children's Health Insurance Program (CHIP)] programs and, therefore, payments to providers are only available when PPE is used in the delivery of a Medicaid or CHIP service."

PPE and Medical Supplies

Each LGA may have different methods of classifying PPE costs and as such, some LGAs may classify PPE as medical supplies. The TCM Provider Manual, Section 3, II (7.), states that medical supplies are non-claimable operating costs and this directive concerning medical supplies remains the same. However, if an LGA chooses to classify PPE expenses as medical supplies, the actual costs incurred for PPE in the provision of TCM services during the defined service period are allowable costs based on the June 30, 2020, CMS issued guidance. Furthermore, LGAs must ensure proper documentation of PPE classified as medical supplies and make the documentation available for DHCS' review.

The TCM Provider Manual, Section 6, III.G.(12.) (a), instructs LGAs how to include "Operating expenses and equipment" costs on the TCM Cost Report. LGAs must determine, as applicable, the extent that the PPE costs reflect either direct or indirect TCM Medi-Cal reimbursable costs in the provision of TCM services and include the costs in the cost report per the TCM Cost Report Instructions. LGAs should refer to the TCM Cost Report Instructions for additional details concerning cost allocations.

LGA Responsibilities

LGAs must continue to ensure that TCM costs reported on the annual TCM Cost Report are allowable for claiming federal reimbursement. LGAs must also continue to reclassify any non-claimable operating costs as Non-TCM costs in the TCM Cost Report as applicable. Examples of non-claimable operating costs, includes but are not limited to the following:

- Malpractice insurance;
- Equipment used for providing direct services;
- Medical supplies (excluding PPE) such as, blood pressure devices, scales, thermometers, et cetera;
- Drugs and medications;
- Costs of elected officials and their related costs; and,
- Costs for lobbying activities.

TCM is not a direct services program per 42 C.F.R. 441.18 (c), which states, “Case management does not include, and [Federal Financial Participation] is not available in expenditures for, services... when the case management activities constitute the direct delivery of underlying medical, educational, social, or other services to which an eligible individual has been referred [certain services].” As such, LGAs should not include operating costs of providing direct services to clients while providing TCM services.

Please email DHCS at dhcs-tcm@dhcs.ca.gov for any questions regarding this PPL.

Sincerely,

ORIGINAL SIGNED BY

Shelly Taunk, Chief
County-Based Claiming and Inmate Services Section