Payment for Local Education Agency (LEA) Services

Reimbursement for school-based services will be based upon each LEA's reasonable and allowable cost as determined based on the LEA's annual cost report and Medicare principles of reimbursement as described at 42 CFR Part 413, the Medicare Provider Reimbursement Manual (Centers for Medicare & Medicaid Services, Publication 15-1), OMB Super-Circular (2 CFR 200) and Medicaid non-institutional reimbursement principles.

Medicaid covered services that are medically necessary and provided by LEAs to all Medicaid enrolled beneficiaries with an Individualized Education Plan (IEP), Individualized Family Services Plan (IFSP), or Individualized Health and Support Plan (IHSP), as defined in Attachments 3.1-A and 3.1-B, include:

1. Nursing Services
2. Nutrition Services
3. Occupational Therapy Services
4. Optometry Services
5. Orientation and Mobility Services
6. Physical Therapy Services
7. Physician Services
8. Psychology and Counseling Services
9. Respiratory Care Services
10. School Health Aide Services
11. Specialized Medical Transportation Services
12. Speech-Language and Audiology Services
13. Targeted Case Management Services, as defined in Supplement 1c to Attachment 3.1-A

Providers will be reimbursed interim rates for direct medical services per unit of service at the lesser of the provider's billed charges or the interim rate. On an annual basis, a LEA-specific cost reconciliation for all over and under payments will be processed via a cost reconciliation process.

I. Interim Rates for Assessments and Treatment Services for Medicaid Eligible Beneficiaries with an IEP, IFSP, or IHSP.

A. Interim Payment Methodology Overview

1. Interim reimbursement rates for IEP/IFSP assessment and treatment services for the period April 1, 2003, through June 30, 2004, were developed from data reported in cost and time surveys from a sample of LEA providers. As described in paragraphs B.1 through B.3, median hourly costs for each type of qualified practitioner (e.g., psychologist, speech therapist, audiologist, etc.) were developed from data reported in the cost survey.

2. Median IEP/IFSP assessment and treatment times by service type (e.g., psychology and counseling, speech therapy, and audiology, etc.) were developed from data reported in a time survey consisting of two instruments, a Treatment Service Questionnaire and an IEP Time Survey. Median IEP/IFSP assessment and treatment times by service type were applied to the median hourly costs for the corresponding practitioners to develop the fee schedule. The Department may elect to update the median assessment and treatment times by service type using data reported in a time survey, consistent with the methodology described above.

3. Rates for assessments and treatment services will be annually adjusted in subsequent periods by applying the Implicit Price Deflator, which is published by the U.S. Department of Commerce. If the Implicit Price Deflator annual adjustment results in an increase or a decrease of one percent or less for any given year, the Department may elect not to impose the adjustment for that year

4. The interim rates will be rebased at least once every five years using a methodology similar to that described in Sections B-F.

B. Hourly Costs

1. Health care-related costs were identified by type of practitioner from the cost survey and included salary, benefits and other personnel expenses for SFY 2000-01. Indirect costs were calculated by applying the LEA's approved indirect cost rate to the health-care related costs. Education-related costs were excluded. The hourly basis for the costs was based on total annual hours required to work. Each cost survey received a desk or field review to evaluate the reasonableness of the data provided. All costs used in the calculation were in compliance with OMB Super-Circular (2 CFR 200).

2. Costs for SFY 2001-02 were determined by adjusting cost for SFY 2000-01 for inflation. The inflation adjustment was accomplished by applying the annual percentage increase in certificated salaries to the salary component of reported costs and the Implicit Price Deflator for State and Local Government Purchases of Goods and Services (Implicit Price Deflator) to the remaining cost components (i.e., benefits, other personnel expenses, facility costs, and administrative costs). The annual percentage increase in certificated salaries for each LEA is published by the California Department of Education. The Implicit Price Deflator, published by the U.S. Department of Commerce, is an inflation index that measures the change in the prices of goods and services that governments purchase. Median hourly costs for each type of practitioner were developed from these adjusted costs.

3. Median hourly costs for each type of practitioner were adjusted to the midpoint of the implementation period of April 1, 2003, through June 30, 2004, by applying the LEA Cost of Living Adjustment based on the Implicit Price Deflator. The Cost of Living Adjustment is an inflation percentage designated by the legislature to adjust state apportionments for K-12 Education on an annual basis.

4. In rebasing periods, the Department will collect health care-related costs by type of practitioner from the cost report, including salary, benefits and other personnel expenses. Indirect costs will be calculated by applying the LEA's approved indirect cost rate to the health-care related costs. Education-related costs will be excluded. The hourly basis for the costs will be based on total annual hours worked by practitioner type.

C. Assessments

1. Median assessment times for IEP/IFSP assessments were developed using time reported in the IEP Time Survey and validated in interviews with health service practitioners.

2. Service Categories

Assessment time from the IEP Time Survey was evaluated by service type (psychology, health, speech therapy, audiology, occupational therapy, and physical therapy) and IEP/IFSP type of review (initial, annual, triennial and amended). Two versions of IEP/IFSP assessment rates for each service type were developed:

(a) Assessment conducted for an initial or triennial IEP/IFSP review

The initial review is conducted for a student that has not yet been determined to be eligible for services under IDEA. The triennial review occurs every 36 months.

(b) Assessment conducted for an annual or amended IEP/IFSP review

The annual review occurs every year to determine whether the existing IEP/IFSP is appropriately meeting the needs of the child. The amended review occurs periodically when requested by a parent, guardian or professional working with the student or when a student transfers from one LEA to another.

3. Interim Rates for Assessment Services

(a) Rates for assessments provided by social workers and counselors will be based on the time incremental cost of these practitioners and billed in service units representing 15-minute increments.

(b) Rates for assessments provided by physicians will be based on the time incremental cost of school nurses (used as a proxy) and billed in service units representing 15-minute increments. The use of the school nurse cost as a proxy for physician cost is described in paragraph 3.(e).

(c) Rates for assessments provided by optometrists will be based on the time incremental cost of school nurses (used as a proxy) and billed in service units

representing 15-minute increments. The use of the school nurse cost as a proxy for optometrist cost is described in paragraph 3.(e).

(d) Existing audiometry rates from the Medi-Cal Fee Schedule will be used for hearing assessments.

(e) School nurses are qualified to perform the same LEA assessments as physicians (vision, health, and health education/anticipatory guidance) and optometrists (vision). The school nurse hourly cost will be converted into a 15-minute interim rate and billed in service units representing 15-minute increments. The school nurse 15-minute interim rate will be used as a proxy for the physician and optometrist services interim rates.

(f) School nurse hourly costs will be used as an interim rate proxy for nutrition assessments, respiratory care assessments, and all assessments provided by Physician Assistants. Rates based on school nurse hourly costs will be billed in service units representing 15-minute increments.

(g) Occupational therapist hourly costs will be used as an interim rate proxy for orientation and mobility assessments. Rates based on occupational therapist hourly costs will be billed in service units representing 15-minute increments.

(h) Trained Health Care Aide hourly costs will be used as an interim rate proxy for psychological services provided by an Associate Marriage and Family Therapists and Registered Associate Clinical Social Workers. Rates based on trained health care aide hourly costs will be billed in service units representing 15-minute increments.

(i) Interim rates for physical therapists, speech therapists, psychologists, nurses, audiologists and occupational therapists will be billed on a flat rate basis, regardless of service time spent.

(j) Interim rates for hearing and vision assessments will be encounter-based, and billed regardless of assessment time spent. The flat rate for vision assessments will be calculated based on five minutes of the school nurse hourly cost. Rates for the remaining four assessments (health, psychosocial, developmental and health education/anticipatory guidance) will be billed in units representing 15-minute increments of assessment time.

D. Interim Rates for Treatment Services

1. Median treatment times for psychology and counseling, speech therapy, audiology, occupational therapy, and physical therapy were developed using time reported in the Treatment Service Questionnaire. Each Treatment Service Questionnaire was subjected to a desk review to evaluate the reasonableness of the data provided.

(a) Treatment service rates for psychology and counseling, speech therapy, audiology, occupational therapy and physical therapy were developed based on an initial service increment range of 15 to 45 minutes as well as additional rate increments of 15-minutes. Time spent by health service practitioners for preparation and completion activities and travel have been included in the development of initial interim service rates (but not the additional 15-minute increment rates) for these services. The initial service billed for these practitioners represents any amount of treatment time between 15 and 45 minutes. Additional treatment time beyond the initial 45-minutes will be billed as one unit for each 15-minute increment of treatment time.

(b) Individual interim treatment service rates were developed for psychology and counseling, speech therapy, audiology, occupational therapy, and physical therapy. Group treatment interim service rates were developed for psychology and counseling, speech therapy, occupational therapy and physical therapy.

(c) Trained Health Care Aide hourly costs will be used as an interim rate proxy for the following services and practitioner types:

i. Speech Therapy Services provided by a Speech-Language Pathology Assistant;
ii. Occupational Therapy Services provided by an Occupational Therapy Assistant;
iii. Physical Therapy Services provided by a Physical Therapist Assistant;
iv. Psychological Services provided by an Associate Marriage and Family Therapist and a Registered Associate Clinical Social Worker.

(d) School nurse hourly costs will be used as an interim rate proxy for nutrition treatments, respiratory care treatments, and all services provided by Physician Assistants. Interim rates will be based on school nurse hourly costs.

(e) Occupational therapist hourly costs will be used as an interim rate proxy for orientation and mobility services provided by Certified Orientation and Mobility Specialists. Interim rates based on occupational therapist hourly costs will be billed in service units representing 15-minute increments.

2. An interim rate for hearing checks that do not meet the minimum treatment time of 15-minutes for the initial service increment (described in paragraph D.1.a.) was developed. This rate is based on 10-minutes of direct service time for audiologists plus the time spent by audiologists for preparation and completion activities and travel time. This treatment will be billed as one unit for each hearing check that requires less than 15-minutes of treatment time.

3. Individual interim treatment service rates for nursing or trained health care aides were based on 15-minute increments and do not include indirect service time. Indirect service time for nurses or trained health care aides will not be billed. Individual treatment

service rates for nursing or trained health care aides will be billed as one unit representing up to 15-minutes of treatment time.

E. Interim Rates for Targeted Case Management (TCM) Services

1. TCM Services assist children with an IEP or IFSP who are eligible for services under the IDEA to gain access to appropriate and needed services. LEAs providing TCM Services, as defined in Supplement 1-c to Attachment 3.1-A, will be reimbursed at the lesser of the provider's billed charges or the interim rate. On an annual basis, an LEA-specific cost reconciliation for all over and under payments will be processed via a cost reconciliation process for all covered services.

2. Interim rates for TCM Services will be based on the incremental cost of school nurses (used as a proxy) and billed in service units representing 15-minute increments. The school nurse hourly cost will be converted into a 15-minute interim rate that may be billed by all qualified rendering TCM practitioners.

F. Interim Rates for Specialized Medical Transportation Services

1. Existing rates from the Medi-Cal fee schedule will be used to reimburse per-trip specialized medical transportation services as described in II. C.

2. In addition to the per-trip amount described above in F.1., LEAs have the option of seeking reimbursement for mileage associated with specialized medical transportation services. In order to claim for mileage expenses, LEAs must document the student's origination point and destination point in a trip log. If an LEA cannot meet this requirement, LEAs may bill for per-trip transportation services without billing for associated mileage. If the LEA bills for per-trip transportation services, the services must be documented in a trip log. Existing rates from the Medi-Cal fee schedule will be used to reimburse mileage for specialized medical transportation services as described in II. C.

II. Payment Methodology

All LEA services will be reimbursed at reconciled costs. On an interim basis, LEAs will be reimbursed an amount equal to the interim rate, identified above in Section I for each covered service, or the amount billed by the LEA, whichever is less. On an annual basis, a LEA-specific cost reconciliation for over and under payments will be processed via a cost report reconciliation and final settlement process, as provided in Section III. C and Section IV.

A. Data Capture for Cost of Providing Health-Related Services

Data capture for the cost of providing health-related services will be accomplished utilizing the following data sources:

1. Total direct and indirect costs, less any federal non-Medi-Cal payments or other revenue offsets for these costs, will be captured using the following sources:

   (a) Medi-Cal cost reports received from LEAs, defined in Section III. C;
   (b) California Department of Education Unrestricted Indirect Cost Rates; as provided in 34 CFR 76.564.
   (c) Random Moment Time Survey (RMTS) results related to direct services, including the Direct Medical Service Percentage; and
   (d) LEA-specific Medicaid Eligibility Ratios.

B. Data Sources and Cost Finding Steps

The following provides a description of the data sources and steps to complete the cost finding and reconciliation:

1. **Direct Medical Service Costs**: Direct costs for medical services include unallocated payroll costs and other unallocated costs that can be directly charged to medical services. Direct payroll costs include the total compensation (i.e., salaries and benefits) paid to the service personnel identified for the provision of health services listed in Attachment 3.1-A and Attachment 3.1-B.

   Other direct costs related to the approved service personnel for the delivery of medical services, such as materials and supplies, equipment and capital costs, must be identified and included in the approved Medi-Cal cost report.

   Total direct costs for medical services are reduced on the cost report by any credits, adjustments or revenue from other funding sources, resulting in direct costs net of federal funds.

2. **RMTS Percentage**: The Net Direct service costs for each service category are calculated by applying the Direct Medical Service Percentage from the approved time survey to the direct costs from Item B.1 above.

The CMS-approved time survey methodology is used to determine the percentage of time that medical service personnel spend on direct medical services, general and administrative time and all other activities to account for 100 percent of time and assure that there is no duplicate claiming. The time survey methodology will begin in fiscal year 2020-21, and will utilize the Direct Services cost pool, which includes staff that provides LEA covered services. The Direct Medical Services Percentage will include the applicable reallocated portion of General Administration time. The Direct Medical Service Costs and time survey results will be aligned to assure appropriate cost allocation.

The following formula will be used to calculate the Direct Medical Services Percentage including the applicable reallocated portion of General Administration time:

A = All Codes (100%)
D = Direct Medical Services (Activity Code 2A Moments divided by Total Moments for Activity Codes 1 to 16)
R = Reallocated Activities (Activity Code 16 Moments divided by Total Moments for Activity Codes 1 to 16)

Direct Medical Service Percentage = $\left(\frac{D}{A-R}\right)$

The RMTS Direct Medical Service Percentage will be calculated using the average from the three quarterly time studies that occur during the quarters of October to December, January to March, and April to June.

3. **Contracted Service Costs**: Contracted Service Costs represent the costs incurred by the LEA for direct medical services rendered by a contracted service provider. Total contracted service costs are reduced for any federal fund or other reduction, including revenue offsets, and further reduced by the application of the LEA Medicaid Eligibility Ratio, in order to determine the Medi-Cal direct medical service contract costs. Contracted service costs are not eligible for the application of the unrestricted indirect cost rate. The RMTS Direct Medical Service Percentage will not be applied to contracted service costs.

4. **Indirect Costs:** Indirect costs are determined by applying the LEA's unrestricted indirect cost rate to the Net Direct Medical Service Costs, defined above in B.2. The California Department of Education is the administrative oversight agency for LEAs, and approves the unrestricted indirect cost rates for LEAs for the United States Department of Education.

5. **Total Service Cost:** Net Direct Costs from Items B.2 and B.3 above, and indirect costs from Item B.4 above are combined.

6. **Medi-Cal Eligibility Ratio**: A Medi-Cal eligibility ratio will be established for each participating LEA on an annual basis, using a date specified by the Department, such as the snapshot date selected for the California Basic Educational Data System (CBEDS) annual data collection, administered each October. When applied, this ratio will discount the Total Service Cost, defined above in B.5., by the percentage of Medi-Cal enrolled students. The numerator will be the number of Medi-Cal enrolled students in the LEA. The denominator will be the total number of students enrolled in the LEA.

   (a) The numerator will be determined based on the Medi-Cal Data Tape Match, used to check Medi-Cal student enrollment.

7. **Total Medi-Cal Reimbursable Cost**: The application of the previous steps will result in a total Medi-Cal reimbursable cost for each LEA for Direct Medical Services.

   The total Medi-Cal reimbursable cost will be multiplied by the applicable federal medical assistance percentage (FMAP) and compared to total interim Medi-Cal reimbursement paid in accordance with Sections B1 through B6, above. Interim Medi-Cal reimbursement payments and units paid will be derived from Medi-Cal paid claims data.

C. Specialized Medical Transportation Services Payment Methodology

Effective for dates of service on or after July 1, 2019, specialized medical transportation services provided to Medicaid eligible students with an IEP or IFSP will be paid on a cost basis. Providers will be paid an interim rate based on the Medi-Cal fee schedule for specialized medical transportation services. For cost reports beginning with dates of service on or after July 1, 2019, and annually thereafter, provider specific cost reconciliation will occur to identify over and under payments.

1. Specialized medical transportation services are allowed to or from a Medicaid covered direct IEP/IFSP service which may be provided at school or other location, as specified in the IEP/IFSP. Transportation may be claimed as a Medicaid service when the following conditions are met:

   (a) Specialized medical transportation is specifically listed in the IEP/IFSP as a required service;
   (b) A Medicaid IEP/IFSP medical service (other than transportation) is provided on the day that specialized medical transportation is billed.
   (c) Transportation is provided in a specially adapted vehicle.

2. Specialized transportation costs included on the cost report worksheet will only include those personnel and non-personnel costs associated with specialized medical transportation, reduced by any federal payments for these costs, resulting in adjusted costs for transportation. The costs identified on the cost report include the following:

   (a) Personnel Costs - Personnel costs include the salary and benefit costs for transportation providers employed by the school district. The definitions for allowable salary and benefit costs for transportation services are the same as for direct medical service providers. The personnel costs may be reported for the following staff:
      i. Bus Drivers
      ii. Attendants
      iii. Mechanics
      iv. Substitute Drivers

   (b) Transportation Other Costs -Transportation other costs include the non-personnel costs incurred in providing the specialized transportation service. These costs include:
      i. Lease/Rental costs
      ii. Insurance costs
      iii. Maintenance and Repair costs
      iv. Fuel and Oil costs
      v. Contracted -Transportation Services and Transportation Equipment cost

   (c) Transportation Equipment Depreciation Costs - Transportation equipment depreciation costs are allowable for specialized transportation equipment purchased for more than $5,000.

3. All specialized transportation costs reported on the annual cost report will be apportioned using the Medicaid One Way Trip Ratio.

Medicaid One Way Trip Ratio- An LEA-specific Medicaid One Way Trip Ratio will be established for each participating LEA. When applied, this Medicaid One Way Trip ratio will discount the transportation costs by the percentage of Medicaid IEP one way trips. This ratio ensures that only Medicaid allowable transportation costs are included in the cost reconciliation. The Medicaid One Way Trip Ratio will be calculated based on the ratio of Medicaid Eligible IEP/IFSP One Way Trips divided by the total number of IEP/IFSP One Way Trips.

III. LEA Reporting Requirements

A. Certification of Funds Process

Each provider certifies on an annual basis, through its cost report, their total actual incurred allowable costs/expenditures, including the federal share and non-federal share. Certification is conducted on an annual basis.

B. Claims Submittal Process

The LEAs will submit claims for services rendered in accordance with LEA Program requirements. If the LEA claimed amount exceeds the Medi-Cal fee schedule for the service claimed, the Department will adjust the affected LEA's claim payment so that the claim payment does not exceed the Medi-Cal fee schedule for the service provided. However, in no case will the Medi-Cal interim payment exceed the claimed amount if the LEA claimed amount is less than the Medi-Cal fee schedule for the service claimed.

C. Annual Cost Report – Cost and Reimbursement Comparison Schedule

1. LEAs are required to complete the Cost and Reimbursement Comparison Schedule (CRCS) for all school-based services delivered during the state fiscal year covering July 1 through June 30, which represents the reporting period. Effective beginning state fiscal year 2020-21, the CRCS will be due by March 1 after the close of the immediately preceding state fiscal year. Within 12 months of the March 1 due date, the Department will conduct an interim settlement or final settlement of the Medi-Cal share of each LEA's costs for the reporting period.

   When a final settlement is not issued within 12 months of the March 1 due date, the Department will complete final settlement no later than 36 months after the cost report submission date, not necessarily March 1. The final settlement process will not start earlier than 12 months from the end of the reporting period, to allow all LEA claims to be processed. The CRCS reported expenditures will be compared against payment claim data. Based on the interim payments received by the LEA during the fiscal year period, the Department will calculate the final settlement amount.

   The cost report submission deadlines for the service periods requiring backcasting (fiscal years 2015-16 through 2019-20) will be documented in the CMS approved back casting methodology.

2. The annual cost report includes a certification of funds statement to be completed, certifying the provider's actual, incurred costs/expenditures for the reporting period. LEAs are required to certify that all expenditures are in compliance with OMB Super-Circular (2 CFR 200), reasonable cost principles under the federal Medicare Program, as set forth in Part 413 (commencing with Section 413.1) of Title 42 of the Code of Federal Regulations, or its successor. The federal Centers for Medicare and Medicaid Services Provider Reimbursement Manual Part 1 (CMS Publication 15-1), Medicaid non-institutional reimbursement principles, and Generally Accepted Accounting Principles (GAAP). The expenditures certified in the cost report must be total expenditures (both State and federal share). The required annual cost report will be in accordance with instructions and forms issued by the Department.

3. LEAs are required to keep, maintain and have readily retrievable, such records to fully disclose its LEA costs. Such documentation must be maintained for a minimum of three years from the date of submission of the annual cost report and in the event that amended cost reports are submitted, a minimum of three years from the date of the

submission of any and all amended annual cost reports.

IV. Department's Responsibilities

1. As part of its financial oversight responsibilities, for each LEA on an annual basis, the Department will complete the audit and cost settlement process. The audit plan will include a risk assessment of the LEAs using paid claim data available from the Department to determine the appropriate level of oversight. The financial oversight of LEAs may include reviewing the allowable costs in accordance with OMB Super-Circular (2 CFR 200), reasonable cost principles under the federal Medicare Program, as set forth in Part 413 (commencing with Section 413.1) of Title 42 of the Code of Federal Regulations, or its successor. The federal Centers for Medicare and Medicaid Services Provider Reimbursement Manual Part 1 (CMS Publication 15-1), Medicaid non-institutional reimbursement principles, and GAAP in the form of a desk audit, limited review audit, or field audit. These activities will be performed within the timeframe in accordance with Welfare and Institutions Code (WIC) Section 14170, which requires the Department to audit and perform final settlement no later than 3 years from the date the CRCS is submitted. In cases where the Department requires an amended cost report to be submitted by all participating LEAs, the 3 year audit and final settlement timeframe will begin on the date the amended CRCS is accepted by DHCS. LEAs may appeal audit findings in accordance with WIC Section 14171.

2. If the interim Medi-Cal payments exceed the actual, certified costs of an LEA's Medi-Cal services, the Department will either offset future claims from the affected LEA until the amount of the overpayment is recovered and/or recoup any overpayments and return the Federal share to the Federal government in accordance with 42 CFR 433.316. If the cost report's actual certified costs of an LEA's Medi-Cal services exceed interim Medi-Cal payments, the Department will pay this difference to the LEA. By performing the cost report's reconciliation and final settlement process, there will be no instances where total Medi-Cal payments for services exceed 100 percent of the cost report's actual, certified expenditures for providing LEA services for each LEA.

3. The Department reserves the right to audit and investigate using the means and methods it deems necessary to ensure the integrity of the LEA BOP program, including taking all necessary actions to identify and resolve potential instances of fraud, waste, or abuse of LEA services and Medi-Cal funds.