

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

1700 K STREET
 SACRAMENTO, CA 95811-4037
 TTY/TDD (800) 735-2929
 (916) 322-7012



ADP BULLETIN

Title Certified Public Expenditure Requirements for Federal Financial Participation for Drug Medi-Cal Under the State-County Contracts		Issue Date: Dec. 2, 2011 Expiration Date: N/A	Issue No. 11 - 17
Deputy Director Approval dave neilsen Deputy Director Program Services Division	Function: [] Information Management [] Quality Assurance [] Service Delivery [x] Fiscal [] Administration []	Supersedes Bulletin/ADP Letter No.	

PURPOSE

The purpose of this letter is to clarify the Certified Public Expenditure (CPE) requirements for Federal Financial Participation (FFP) for Drug Medi-Cal (DMC) claims under the State-County contracts and address the documentation requirements for DMC claims reimbursement.

Drug Medi-Cal claims submitted for September 1, 2011 services and thereafter under the State-County contracts must satisfy the requirements as outlined in this letter in order to be adjudicated and reimbursed.

DISCUSSION

General Overview of Certified Public Expenditures

The following overview of CPE requirements is provided to give a clear understanding of the general requirements that are applicable to the DMC program.

Title XIX of the Social Security Act (SSA), Section 1903(a), provides, in part, that the Federal Government shall pay to the state a percentage "of the total amount expended" for providing medical assistance (which includes DMC services). This percentage is referred to as the Federal Medical Assistance Percentage (FMAP). The amount expended must be ". . . certified by the contributing public agency as representing expenditures eligible for FFP [federal financial participation] under this section", per Title 42 of the Code of Federal Regulations (CFR), Section 433.51.

Pursuant to the SSA, Section 1903(a), Medicaid is a "reimbursement" program. It is not a "matching" or "grant" program. This means that federal claiming by a state is based on total-funds expenditures by the state or by another unit of government, such as the



county, authorized to certify expenditures to the state for Medicaid services. Based on the claim, federal reimbursement is then provided to the state, which is then provided to the counties.

Thus, the only amount that can be certified (the CPE) is the total-funds (total computable) Medicaid expenditure made by the unit of government. Federal reimbursement with respect to the expenditure certified is paid to the state in accordance with the appropriate FMAP rate.

The manner in which a unit of government can certify an expenditure to the Department of Alcohol and Drug Programs (ADP) depends on: 1) whether the unit of government pays other providers for the services, or 2) if the unit of government is the provider of the service.

A unit of government that actually pays for a covered Medicaid service furnished by a contracted provider can certify its actual expenditure, at the rate set forth in the Medicaid State Plan (or the approved provisions of a waiver or demonstration, if applicable) for the service. In this case, the certification would reflect the payment by the unit of government to the contracted provider (and would not necessarily be related to the actual cost the provider incurs for providing the services).

If, however, the unit of government is itself the health care provider, then it may generate a CPE from its own costs if the Medicaid State Plan (or the approved provisions of a waiver or demonstration, if applicable) contains a cost reimbursement methodology. If this is the case, the unit of government may certify the costs that it actually incurred in providing services to Medicaid recipients.

CPE Requirements as Applied to Counties

This letter describes the only two situations in which a public agency can certify an expenditure: (1) The public agency is the provider of the service, or (2) the public agency has paid other providers for the services. Each of these situations is discussed below.

(1) The Public Agency is the Provider

If the public agency is itself the health care provider, then it may certify its own costs (subject to applicable payment limitations). If this is the case, the public agency may certify the costs that it actually incurred in providing covered services to Medi-Cal beneficiaries. Counties are public agencies and are authorized by state and federal law to certify their expenditures.

Accordingly, counties may certify their actual costs incurred in providing DMC services to Medi-Cal beneficiaries. ADP then uses the county certification to claim FFP, up to the statewide approved maximum reimbursement rates.

(2) The Public Agency Contracts with Providers

Under existing state law, counties are authorized to negotiate contracts with providers certified to provide reimbursable DMC services and that elect to participate in the program (Health and Safety Code § 11758.46).

If a public agency has paid for covered Medicaid services furnished by a private entity, that public agency can certify the actual expenditures it has made. The amount that is paid must be in compliance with any payment limitations set forth in state law, in the Medicaid State Plan, in the provisions of a federal waiver or demonstration, or in a contract between ADP and the county, as may be applicable. The certification must reflect the payment by the public agency to the contracted provider for DMC services provided to Medi-Cal beneficiaries. A county may only certify its total-funds expenditures for DMC provided by private entities in the amount the county has actually paid the private entity for DMC services, and that the counties can appropriately document as having been provided.

Required Documentation of Certified Public Expenditures

Federal guidance and the state law that implements CPE programs require that the public agency using the CPE process submit a certification to the state attesting that the total-funds (total computable) amount of its claimed expenditures are eligible for FFP, in accordance with the Medicaid State Plan and the provisions of section 433.51 (quoted above). The certification must be submitted to ADP, and would be used as the basis for ADP to claim FFP within two years from the date of the expenditure.

CPEs must be supported by auditable documentation that identifies the relevant category of expenditure under the state plan, and demonstrates the actual expenditures incurred by the county in providing services to Medi-Cal beneficiaries.

The county should also include and identify expenditures for DMC in their general ledgers, spend a specific amount for those services, and certify that the expenditures were made to provide DMC services to Medi-Cal beneficiaries. Such payments should also be supported by the county contracts with ADP, invoices/certifications from the provider to county requesting payment, and warrants/remittance advices from the county that specify the payment was for DMC services. CMS's current guidance emphasizes the importance of such documentation.

Examples of Unacceptable Claims

The following situations do not constitute compliance with current federal law and policy governing CPEs, and therefore are not permitted by ADP.

1. A certification that funds are available at a state or local level. The availability of funds does not meet the federal requirement that state or local dollars have actually been expended to provide health care services to Medicaid individuals.

2. An estimate of Medicaid costs derived from surveys of health care providers. An estimate does not meet federal requirements that state or local dollars have actually been expended to provide health care services to Medicaid individuals.
3. A certification that is higher than the actual cost or expenditure of the governmental unit that has generated the CPE (based on its provision of, or payment for, services to Medicaid recipients).
4. A certification that is anything less than 100 percent of the total-funds (total computable) expenditure. Federal reimbursement is available only as a percentage of the total-funds (total computable) Medicaid expenditure that has been certified. For example, a certification that only includes the amount of the non-federal share of the total-funds expenditure is not acceptable.

REFERENCES

Chapter 40, Statutes of 2011 (AB 118)
Chapter 13, Statutes of 2011 (AB 16, First Extraordinary Session)

BACKGROUND

Under the recently enacted realignment statutes and existing law, counties must certify the public expenditures made prior to claiming federal Medicaid funds. This change is effective for services rendered from September 1, 2011 and thereafter.

QUESTIONS/MAINTENANCE

If there are further questions regarding this bulletin please contact your assigned Fiscal Management and Accountability Branch analyst. This bulletin is available on the ADP website at www.adp.ca.gov.

EXHIBITS

1. DMC Certification for Federal Reimbursement (Form ADP 100224)
2. Fiscal Management and Accountability Branch County Assignment Listing

DISTRIBUTION

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