

The Bipartisan Safer Communities Act (BSCA) was signed into law by President Joe Biden on June 25, 2023. As related to Medicaid SBS, the BSCA specifically addresses the need to:

- ▶ Establish responsibility for interagency coordination among State agencies.
- ▶ Provide State Medicaid agencies (SMAs) and State educational agencies (SEAs) with technical assistance necessary for them to access Medicaid to provide SBS.
- ▶ Identify that requirements may be met through State statute or regulation, signed agreements, or other appropriate written methods.



This resource will discuss SMAs, SEAs, and local educational agencies (LEAs) work for the following:

- ▶ General Considerations for Establishing a Payment Approach
- ▶ Fee-for-Service Rates
- ▶ Cost-Based Rates
- ▶ Reconciled Cost Payment Methodology using CPEs

## Understanding Requirements for Billing and Claiming SBS

### Background on SBS Financing

Payments for SBS will include both Federal and State funds.

State Plan Amendments (SPAs) must describe a payment plan for SBS:

- ▶ How the State will fund the State share.
- ▶ How the State will obtain the Federal share.

States must also review and update:

- ▶ Administrative claiming guidance documents provided to SEAs and LEAs.
- ▶ Time study implementation plan.
- ▶ Public Assistance Cost Allocation Plan (PACAP).
- ▶ Other State-specific policies and guidance documents that govern Medicaid.

### Options for Contributing to Non-Federal Share for SBS

#### Certified Public Expenditures (CPEs)

- Certification of funds expended to support Medicaid services.
- A CPE is a statutorily recognized Medicaid financing approach by which a governmental entity, including a governmental provider (e.g., county hospital, local education agency), incurs an expenditure eligible for Federal financial participation under the State's approved Medicaid State plan (§1903(w)(6) of the Social Security Act; 42 CFR 433.51)

#### State Legislative Appropriations

- General revenue funds appropriated by the State legislature directly to the SMA to pay for Medicaid/CHIP expenditures.

#### Intergovernmental Transfers (IGTs)

- Funds appropriated or collected by State or local governments that are transferred to, and under the administrative control of, the SMA and used to support Medicaid activities as the non-Federal share.
- The use of IGTs to finance State Medicaid programs is recognized in both Federal statute and regulation (§1903(w)(6) of the Social Security Act; 42 CFR 433.51).

**NOTE:** IGTs can (but do not have to be) funded by State legislative appropriations.

## Methods for Calculating the Federal Share of SBS

Payment Methodology	Generates reimbursement through ...	Using...	SPAs must...
FFS Rates	Fee-for-service (FFS) rate payment for direct services; funded through appropriations or IGTs (but not CPEs).	Existing <b>community FFS rates</b> for non-school based providers and/or enhanced payment rates for SBS with justification (see <a href="#">2023 Comprehensive Claiming Guidance</a> ).	Reference relevant community and/or enhanced fee schedules that will be used for SBS and document/justify any rates higher than community payment schedule. ( <a href="#">42 C.F.R. § 447.10</a> and <a href="#">433.51</a> )
Cost-Based Rates	Cost-based FFS rate payment for direct services; funded through appropriations or IGTs (but not CPEs).	<b>Cost-based FFS rates</b> (commonly derived from cost reports and utilization from the previous year).	Reference relevant methodology to formulate cost-based rates that will be used for SBS. ( <a href="#">42 C.F.R. § 433.51</a> )
Reconciled Cost Methodology	Certified public expenditures of SBS delivered that must be reconciled at year end; funded through CPEs (but not appropriations or IGTs).	Interim rates, commonly developed using previous year's costs to pay for SBS—but can use flexibilities; interim payments are reconciled to actual costs at the end of the year.	Describe cost-identification process, types of providers and school staff providing SBS, and instructions for reconciling actual costs to interim payment (see <a href="#">2023 Comprehensive Claiming Guidance</a> ).

### Considerations for deciding on a payment methodology:



- ▶ What education services would be eligible for Medicaid funding that are not already financed by the State for SBS?
- ▶ How much cash flow might schools need to provide services throughout the year?
- ▶ How reliable and accurate are available SBS payment data that will be used for rate setting?
- ▶ Are sufficient resources available to support development of the payment methodology and related documentation?



## 1 Engage Key Stakeholders

- ▶ Identify and engage key players to support rate setting and maintaining payment methodologies. Identify partners and documents roles and responsibilities.

### Agency Roles:

Leading: SMAs

Supportive/Informative: SEAs and LEAs

## 2 Develop a Timeline

- ▶ Develop a timeline for preparing a payment methodology. Consider the time needed to:
  - ▶ Develop and document rates.
  - ▶ Coordinate with key stakeholders, including LEAs and managed care organizations (MCOs).
  - ▶ Apply rates or cost payment methodology.

### Agency Roles:

Leading: SMAs

Supportive/Informative: SEAs and LEAs

## 3 Collect and Use Data

- ▶ Identify and implement plan for collecting and using data.

### Collecting Data

#### Agency Roles:

Recipient: SMAs

Supportive/Informative: SEAs and LEAs

### Using Data

#### Agency Roles:

Recipient: SMAs

Supportive/Informative: SEAs and LEAs

### Data sources may include:

- ▶ *From LEAs and SEAs:*
  - Required data to support the Medicaid claim for direct medical services.
    - ▶ Service claims or service documentation, service logs, or expenditure reports.
- ▶ *From SMAs:*
  - Cost reports and utilization data from set time period, if available.
  - Community or cost-based FFS schedule, for reference.
  - Other statewide historical data.

## 4 Document Payment Methodology

- ▶ Clearly document payment methodology and/or rates and cost reporting expectations.
- ▶ Document methodology and/or rates in the State's:
  - ▶ Medicaid State Plan Amendment (SPA).
  - ▶ Cost allocation plan (Medicaid Administrative Claiming (MAC) or PACAP).
- ▶ If enhanced FFS rates will be used, justify rates are economic and efficient.

### Agency Roles:

Leading: SMAs

## What must be documented in the SPA?

Component*	FFS Rates	Cost-Based Rates	Reconciled Cost Methodology
Direct medical service payment methodology	X	X	X
List of 1905(a) services and assurance that services are covered in Medicaid State plan coverage pages	X	X	X
Interim payment methodology			X
Annual reconciliation and cost settlement procedures			X
Specialized transportation cost pools and allocation (if applicable)			X
Specialized transportation paid via a rate	X	X	
Methodology describing the development of the cost-based rates (and any updates to rates going forward)		X	

\*These are general requirements; States should refer to the May 2023 Comprehensive Guide for a detailed description of documentation requirements. More information on requirements for each payment methodology can also be found on the slide deck of the webinar.

## Fee-for-Service (FFS) Rates

### Using FFS or Enhanced FFS Rates

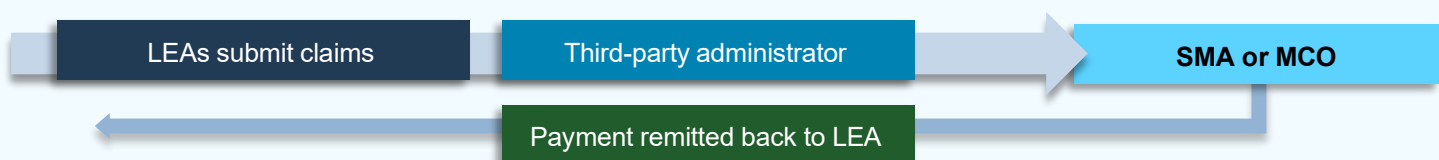
- ▶ States may use existing **community FFS rates** established for providers in non-school settings.
  - ▶ With the May 2023 State Medicaid Director Letter, States may also develop **enhanced FFS rates** for school-based providers to account for costs of delivering services in school settings, with justification that the rate is economic and efficient.
- ▶ When establishing enhanced FFS rates:
  - ▶ Use complete and accurate data sources, including community FFS schedule for reference.
- ▶ Keep in mind that States using CPEs to fund SBS cannot use FFS rates to certify costs.

## Cost-Based Rates

### Using Cost-Based Rates

- ▶ Using cost-based rates approach, States develop rates specific for Medicaid-covered services and providers (for some increment of time) like physical therapy (PT), occupational therapy (OT), speech-language pathology (SPL), etc.
- ▶ Provider services can be tracked by submitted claims to an SMA or another methodology that comprehensively tracks the services. Previous years' cost reports are often used to develop the rates for various providers. CMS will review cost-based rates formulation.
- ▶ State funding for cost-based rates must use appropriations or IGTs (not CPEs).

### Reimbursement Under Cost-Based Rate Methodology



## Calculating Cost-Based Rate

- ▶ In establishing cost-based rates that are informed by the actual costs of delivering services in schools, States should consider collecting these data in the cost report:
  - ▶ Salary and benefits of qualified providers.
  - ▶ Medical supplies and equipment used to furnish services.
  - ▶ Overhead associated with covered services (generally covered in the cognizant agency indirect cost rate).
- ▶ LEA-provided information about time and cost associated with common services furnished in school. Service utilization data from claims or service documentation.
- ▶ LEAs should consider how they pay contractors.
- ▶ Cost-based rates are typically set for a defined service type on a statewide basis but may also be regional or LEA specific, as long as the data support the rates.
- ▶ SMAs should periodically update cost-based rates and the services provided to ensure rates are updated to reflect cost (this can be part of the cost-based rate methodology or would require a SPA to update rates).
- ▶ Cost-based rates should develop a rate for SBS among various provider types.
- ▶ Cost-based rates are subject to Federal cost rules and all relevant Medicaid regulations.

## Reconciled Cost Payment Methodology Using CPEs

### Using a Reconciled Cost Payment Methodology

- ▶ SMAs make interim payments to providers throughout the year, then reconcile to incurred costs attributable to Medicaid in the cost report.
- ▶ Interim rates provide cash flow to offset the ongoing cost of service delivery prior to cost reconciliation and settlement procedures.
  - ▶ Interim payments are generally less than the actual service cost.
  - ▶ Interim payment flexibilities are available in the new guidance.
- ▶ Implementing any interim payment flexibility not to submit claims for each **service does not change the requirement to collect** State Medicaid Manual minimum documentation requirements.
- ▶ States that use a reconciled cost payment methodology for SBS must use CPEs (certify that funds were expended by public entities for Medicaid services).
- ▶ For States in which SBS are carved-in to managed care:
  - ▶ Schools will receive reimbursement on a schedule defined in the managed care plan (MCP) contracts, unless otherwise specified.
  - ▶ SMAs can modify MCP contracts to require MCP reimbursement on an alternate schedule such as per child per month (PCPM).
  - ▶ If a State makes this modification, the State must adhere to the Federal requirements for State-directed payments ([42 C.F.R. § 438.6\(c\)](#))

For States in which SBS are carved out of managed care:

- ▶ States may choose any methodology above and put it into the SPA.

## Interim Payment Flexibilities

<b>Roster Billing</b>	SMA create and multiply a predetermined rate or the State's FFS rate for similar services, on a quarterly or monthly basis, by the number of Medicaid-enrolled students who receive a covered services within the service period. Quarterly or monthly payments would then be reconciled to the actual cost at the end of each year.
<b>Per Child, Per Month Rates (PCPM)</b>	SMA create a cost-based rate based on 1/12th of the provider's previous year's actual cost, which would be paid out each month on a PCPM basis.
<b>Average Cost Per Service Monthly Interim Rate</b>	SMA create an average per-encounter rate based on the services the SMA anticipates will be provided on average in the encounter by an LEA/school-based provider.
<b>Bundled Interim Payments</b>	Bundled interim rates are allowed as long as they are explained clearly, where interim payments are reconciled to actual cost are allowable if providers maintain auditable documentation of each service a student receives for Medicaid reimbursement.

## Cost Reporting Requirements

- ▶ States and LEAs should determine the portion of the actual, incurred cost of furnishing SBS that can be certified to the SMA for reimbursement using a uniform cost report that will be completed by each LEA, including appropriate and consistent allocations to Medicaid.
- ▶ Most LEAs use audited financial statements as the first step in developing cost reports.
- ▶ LEAs that use cost-based rates or cost methodologies are generally required to:
  - Use a cost reporting methodology to identify allowable costs for SBS.
  - Submit a uniform SBS cost report to the SMA to document the costs of providing Medicaid-covered services specified in the Medicaid State plan.



## Additional Resources and Examples

Comprehensive Guide to Medicaid Services and Administrative Claiming:



<https://www.medicaid.gov/sites/default/files/2023-07/sbs-guide-medicaid-services-administrative-claiming-ud.pdf>

42 C.F.R. § 438.6(c) Special contract provisions related to payment



[https://www.ecfr.gov/current/title-42/part-438/section-438.6#p-438.6\(c\)](https://www.ecfr.gov/current/title-42/part-438/section-438.6#p-438.6(c))

42 C.F.R. § 447.10 Prohibition against reassignment of provider claims



<https://www.ecfr.gov/current/title-42/section-447.10>

42 C.F.R. § 433.51 Public Funds as the State share of financial participation



<https://www.ecfr.gov/current/title-42/section-433.51>

Medicaid and CHIP Payment Access Commission. Non-federal financing



[https://www.macpac.gov/subtopic/non-federal-financing/#:~:text=Certified%20public%20expenditures%20\(CPEs\),&text=The%20governmental%20entity%20certifies%20that,the%20state%20then%20claims%20FFP](https://www.macpac.gov/subtopic/non-federal-financing/#:~:text=Certified%20public%20expenditures%20(CPEs),&text=The%20governmental%20entity%20certifies%20that,the%20state%20then%20claims%20FFP)

Medicaid and CHIP Payment Access Commission. State Approaches for Financing Medicaid and Update on Federal Financing of CHI. Chapter 3a. p. 172-173.



<https://www.macpac.gov/wp-content/uploads/2012/03/State-Approaches-for-Financing-Medicaid-and-Update-on-Federal-Financing-of-CHIP.pdf>