COLORADO
School Health Services Program

SCHOOL HEALTH SERVICES PROGRAM PROGRAM MANUAL

Section 5

Annual Cost Report, Reconciliation and Settlement

The School Health Services Program is a joint effort between the Colorado Department of Education and Department of Health Care Policy and Financing.
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Section 5: Annual Cost Report, Reconciliation and Settlement

5.1 Annual Cost Report

Each participating district must complete and certify an annual cost report for staff included in the Random Moment Time Study (RMTS) that provided direct medical or health-related services (Direct Services) and/or Targeted Case Management (TCM) during the state fiscal year covering July 1 through June 30. The cost report is due on or before October 1 of the year following the reporting period. The primary purposes of the cost report are to:

- Document the district total Medicaid allowable staff or contractor costs for providing direct medical or health-related services and related transportation costs, including direct costs and indirect costs, based on a federally approved cost allocation methodology
- Reconcile interim payments that were made to the districts, described in **Section 5.4**, to the total Medicaid allowable cost
- Certify the district's public expenditures in accordance with CRS §25.5-5-318, *et seq.* (**Appendix A.6**)

The cost report includes the following:

- Payroll information for direct services and TCM staff or contractor listed on each of the quarterly RMTS staff cost pool lists
- Medicaid allowable costs associated with staff travel and training, medically-related supplies and materials and specialized transportation

In addition, the following fields within the cost report are populated by the Department or PCG:

- RMTS annual percentage for each staff cost pool
- District assigned Unrestricted Indirect Cost Rate (UICR)
- District specific specialized transportation trip count
- Total interim payments made to the district (gross Medicaid claims amount)
- Individualized Education Program (IEP) student counts for IEP Student Utilization Ratio on 12/1

Detailed instructions on how to complete the annual cost report can be found in the Web-Based Cost Reporting System Guide (Appendix A.10).

5.2 IEP Student Utilization Ratio

The Department of Health Care Policy and Financing (Department), Colorado Department of Education (CDE) and Public Consulting Group (PCG) have established an agreement to allow PCG to calculate the IEP Student Utilization Ratio often referred to as the December 1 count. The Department will receive student lists directly from CDE to transmit to PCG. PCG will then compare, in a multi-level process, the student lists to the Department's eligibility records. The District ratios will be displayed when the PCG claiming system opens in August. Districts may request back-up documentation and will have the opportunity to contest their ratios. For a complete timeline of this process see the table below:

IEP Student Utilization Ratio (Dec.1 count)	Dates
HCPF notifies CDE of participating districts	December 31
CDE provides student lists to HCPF	February 15
HCPF provides student lists and eligibility files to PCG	March 15
PCG calculates ratios and returns to HCPF	June 1
HCPF reviews and approves calculated ratios	June 8
PCG uploads December 1 counts to the claiming system	August 1
Districts may request back-up documentation and contest calculated ratios during this time period	August 1 - October 1
Last day to submit contested documentation	October 1
PCG reviews any contested match ratios and makes recommendations to HCPF	November 1
HCPF provides final decision to districts on any contested match ratios	November 7

Districts that elect to contest their IEP student utilization ratio (Dec. 1) or their Medicaid Eligibility Rate (MER) will follow the guidelines detailed below:

- Back-up documentation for the match must be requested in writing (email) to the Department by the time frame outlined in the table above
- Back-up documentation will be sent to districts via encrypted email within five (5) business days
- Districts that contest the match must do so in writing (encrypted email) by the date listed in the table above with the necessary back-up documentation to support its findings
- The Department and PCG will review supporting documentation and inform districts if a match ratio will be adjusted
- No exceptions or extensions will be granted to the dates outlined in the table above

5.3 Cost Reconciliation

The cost report process (**Section 5.1**) is the first step in the cost reconciliation process for discretely identifying, totaling, and discounting all Medicaid allowable costs for an entire reporting period. The total Medicaid allowable cost, as identified in the district's cost report, is then compared to the Medicaid interim payments (**Section 4.3**) paid to the district during the reporting period as documented in the Medicaid Management Information System (MMIS). Any difference between these two totals results in a reconciliation in which the district will either receive additional funds or pay back a portion of funds already received through the interim payments. The cost reconciliation process must be completed by April 1 of the year following the reporting period.

For integrity purposes, the federally approved scope of costs, cost allocation methodology procedures and the RMTS results or processes cannot be modified by the Department of Health Care Policy and Financing (the Department) or its vendor. Any modifications to these processes require approval from the Centers for Medicare and Medicaid Services (CMS) prior to implementation.

5.4 Cost Settlement

If a district's interim payments exceed the total certified costs, as identified in the districts cost report, the district is required to return an amount equal to the overpayment back to the Department. The Department will return these funds to CMS within 60 days.

If the total, certified costs, as identified in the district's cost report, exceed the interim payments the Department will pay the federal share of the difference to the district.

Once the reconciliation amount has been finalized by the Department, the district will receive a cost reconciliation and settlement letter that denotes the final amount due to or from the district.

5.5 Desk Reviews and In Depth Financial Reviews

Prior to the finalization of the cost reconciliation and settlement process, the annual cost report will be desk reviewed by the Department and its vendor. Districts may be requested to answer desk review questions and/or provide copies of documentation to support the information reported on the annual cost report.

In addition to the desk review, one-third (33%) of participating districts will also be selected to undergo a comprehensive review which will include the in depth financial review. For the in depth portion of the comprehensive review, districts will be asked to provide documentation to support the information they recently certified on the Annual Cost Report. This requested information includes:

- Payroll information for a sample of direct service providers
    - Documentation must show that costs were reported according to an accrual accounting methodology
- Copies of licensing and credential information for all direct service providers
- Copies of contracts for contracted providers
- Documentation to support a sampled service type (i.e., speech language and hearing services) with reported other costs such as materials and supplies or equipment depreciation
    - Documentation must be itemized to support the lump sum reported in the cost reporting system and show a purpose direct medical in nature
- All supporting documentation for transportation costs, including:
    - Transportation payroll information
    - Transportation other costs (i.e., lease and rental, fuel and oil, etc.)
    - Transportation equipment depreciation including back up to support the cost, federal revenue, years of useful life, month and year placed into service, and if applicable, month year removed from service
- Bus logs to support the one-way trip ratio numerator count for trips submitted through MMIS
- Documentation to support the calculation of the one-way trip ratio denominator
- Documentation to support transportation services IEP ratio if the district reported costs under the "not only specialized transportation" category
- Proof that the district categorized costs accordingly as "only specialized transportation" or "not only specialized transportation"

It is encouraged that districts organize the documentation to support all reported costs and statistical information at the time of completing the Annual Cost Report in anticipation of a potential comprehensive review.

5.6 Cost Report Adjustment

After the cost settlement or final reimbursement has occurred, if a district would like to request a financial adjustment to a cost report the request must be made in writing to the Department. In order to process an adjustment that would result in an additional payment to the district, the request must be made within 2 years of the last date of service due to timely filing limitations. The 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 the Department at least 90 days in advance of the expiration date.

The district's request should:

- Specify the cost reporting period.
    - Where multiple cost reporting years are impacted, the 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, transportation costs and supporting work papers or source documentation, where necessary.

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

- New material or evidence
- A clear and obvious error
- Inconsistent with the law, regulations or rulings

An adjustment by the Department 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 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 the Department accepts an adjustment and makes changes to a finalized document, the Department shall re-issue the district a cost reconciliation and settlement letter that outlines the adjustment and identifies the new cost settlement amount or reimbursement. If the financial adjustment indicates an overpayment of funds the district shall have 60 days to return the overpayment to the Department.

This policy does not replace a determination made during a state or federal audit to adjust or correct a cost report outside of the 2 year time frame.

Participation in the School Health Services program requires the district agree to participate in any disallowances by the United States Department of Health and Human Services of reimbursements to the district. The district will assist the Department in documenting the correctness of the cost report, a Claim or any other payment received from the Department. If the disallowance is upheld, the District may have to return to the Department any portion of the reimbursement based on the disallowed funds. If the district fails to participate under this provision for any reason, the Department shall have the right to withhold future payment and/or have the right to terminate this contract due to default/cause.