



MENTAL RETARDATION BULLETIN

COMMONWEALTH OF PENNSYLVANIA - DEPARTMENT OF PUBLIC WELFARE

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SUBJECT:
Claiming Federal Reimbursement for Targeted Service Management Administration Costs

BY:

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SCOPE:

County Mental Health/ Mental Retardation Administrators

PURPOSE:

The purpose of this bulletin is to update procedures to enable County MH/MR Programs to claim federal reimbursement for eligible costs incurred in administering Targeted Service Management (TSM).

BACKGROUND:

Federal guidelines allow for reimbursement of costs incurred in the general program administration of federally eligible services. The Department of Public Welfare requires the County MH/MR Program to administer services for TSM whether it provides TSM directly or by contract. Counties are also required to establish a service delivery contract with providers under contract, negotiate reimbursement rates, complete reports upon request, and monitor service utilization. For these administrative services the County MH/MR Program is entitled to claim federal reimbursement at the 50 percent matching rate for eligible costs incurred in the provision of TSM.

DISCUSSION:

Pursuant to Pennsylvania Code, Title 55, Chapter 4300.134, two alternatives are available for apportioning costs associated with the Administrator's office. Apportionment may be according to the actual costs incurred for the administration of each program or as a proportion of program costs. Documentation supporting the apportionment of costs shall be retained by the county program. The apportionment of costs may include both direct and indirect costs. Further, 55 Pa. Code CH. 4300.94, *Agency indirect cost*, states, "There is not general rule for classifying costs as either direct or indirect." Once classified, each item of cost shall be treated consistently either as a direct or indirect cost.

COMMENTS AND QUESTIONS REGARDING THIS BULLETIN SHOULD BE DIRECTED TO:

APPROPRIATE REGIONAL REPRESENTATIVE

Direct administrative costs incurred by the County MH/MR Program will generally include charges for those ancillary activities that are needed to maintain the direct effort of providing TSM services. Eligible activities may include, but are not limited to: planning, administration, monitoring, data entry, payment, reporting and utilization review. A summary of eligible administrative activities is attached (Attachment 1). A method for determining the portion of costs associated with TSM must be established in accordance with *County and County Joinder Allowable Cost Standards* outlined in 55 Pa. Code CH. 4300.41 – 69.

Indirect administrative costs incurred by the County MH/MR Program sometimes referred to as “County Administrative Overhead” may be charged. When claimed, these costs are subject to the two percent limitation outlined in 55 Pa. Code CH. 4300.55, *County indirect cost*. Indirect costs incurred that exceed the two percent limitation require department approval through the County Cost Allocation Plan process.

In assessing administrative costs to be claimed at the 50 percent matching rate counties should look at the context in which service is provided. Several types of provider arrangements exist, including those in which the county provides the service, the county has contracted for services from another entity, or the county both provides and contracts for the service. If the county is the provider of TSM services, a formalized relationship and distinction must exist to delineate county administration from provider requirements.

The County MH/MR Program is responsible for managing the contracted relationship with each service provider, and may claim these as part of their TSM Administrative Costs. These responsibilities include: monitoring service delivery to ensure regulations are met, providing fiscal and program reports as required by the department as certifying state matching funds are available for each service. In addition, the county is required to annually execute a contract and negotiate a reimbursement rate with each provider. A review of the functions performed by the Administrator’s office may disclose other activities which may be considered for reimbursement.

If the County MH/MR Program is acting as the TSM service provider, the ancillary costs associated with managing the program may be claimed for federal reimbursement at 50 percent. It is important to maintain the direct service program administrative costs separate from the county administrative costs which are otherwise included in the TSM service unit rate. If the County MH/MR Program is the service provider, they may either include all eligible administrative costs in the unit rate or may include all eligible administrative costs in the quarterly TSM Administration Cost Report, but not both (Attachment 2). If the County MH/MR Program includes costs in the fee for service rate, expenditures must be reported on the Income and Expenditure Report in the applicable service activity cost center. If the County MH/MR Program includes costs in the quarterly TSM Administration Cost Report, expenditures and resulting revenues must be included in the Administrator’s Office Cost Center on the Income and Expenditure Report.

In preparing to claim reimbursement for administrative costs, the County MH/MR Program must document the total amount of administrative cost subject to federal participation that is incurred on a quarterly basis, as well as the method for reporting costs. Documentation must be maintained for a minimum of four (4) years for audit purposes. Administrative costs shall not include or duplicate those activities that are otherwise included in the fee for service rate of any program. While methods should remain consistent, it is permissible to change methods as fiscal years change. The County MH/MR Program will be held responsible for any disallowed dollars identified through state or federal audits.

PROCEDURE:

COUNTY MH/MR PROGRAM RESPONSIBILITIES:

The County MH/MR Program should report administrative costs for each quarter of the fiscal year on a scheduled quarterly basis, enabling the Department to process federal claims at regular intervals. The TSM Administration Cost Report for the first quarter of a fiscal year is due November 15 with subsequent quarters due February 15, May 15 and August 15 respectively.

The County MH/MR Program shall identify and clearly document the total county administrative costs incurred for the period. Total TSM administrative costs claimed by the end of the fiscal year can not exceed the TSM Administrative Cost Allocation for that year.

The County MH/MR Program shall identify and clearly document the method of calculation for apportionment of federal eligibles for TSM for the period.

The County MH/MR Program shall submit reports within 45 days after the end of the quarter. During the first, second and third quarters of the fiscal year late reports will be processed for the next report period: **The fourth quarter report must be submitted timely within 45 days.** (EXAMPLE: Report Period April 1 – June 30 must be received in OMR by August 15.) After August 15 the request will be denied.

The County MH/MR Program must account for the receipt of payment resulting from the quarterly TSM Administration Cost Report on an accrual basis, when accounting for funds on the Income and Expenditure Report. If the report is submitted in a timely manner and reimbursement is not received within sixty (60) days following the due date of the quarterly TSM Administration Cost Report, the County MH/MR Program should contact the OMR, TSM Unit immediately to verify that the quarterly report was received in the Office of Mental Retardation and forwarded to the Bureau of Financial Operations for payment.

OFFICE OF MENTAL RETARDATION RESPONSIBILITIES:

Upon receipt of the quarterly TSM Administration Cost Report, the OMR TSM Unit will verify that the calculations submitted are accurate.

OMR will review reports and may request supporting documentation at periodic intervals. Reimbursement requests in excess of the counties TSM Administrative Cost Allocation will be denied. Requests for TSM allocation adjustments will be handled through the established rebudget process.

OMR will complete a statewide report for submission to the Bureau of Financial Operations for processing of the federal claims submitted. Payments will be issued to County MH/MR Programs on a quarterly basis.