

## COST SETTLEMENT OVERVIEW: MARCH 2011

The U.S. Department of Health & Human Services' Centers for Medicare & Medicaid Services (CMS) has been working with many states to reform Medicaid reimbursement for medical services from a "prospective fee based" method to a "retrospective cost based" approach. This means that CMS is requiring States to demonstrate that rates paid for school-based services are no higher than the actual cost of providing medical services.

### ***Current Medicaid Landscape in New Jersey***

#### *Special Education Medicaid Initiative (SEMI)*

Participation in SEMI is mandatory for all districts in New Jersey. SEMI allows for recovery of a portion of costs for certain Medicaid covered services provided to Medicaid eligible special education students. It is based on health related service encounters. Local Educational Agencies (LEAs) must maintain documentation and can only claim for services that meet all compliance requirements.

#### *Medicaid Administrative Claiming (MAC)*

Participation in MAC, unlike participation in SEMI, is not mandatory. LEAs participate in a quarterly statewide Random Moment Time Study (RMTS) and provide quarterly salary and benefit cost data based on the district staff included in the time study. Reimbursement is based on LEA costs, Medicaid Eligibility Ratio (MER), Indirect Cost Rate (ICR), and statewide RMTS results.

### ***Implementation of Cost Settlement in New Jersey***

To comply with CMS' directive to move towards a cost-based methodology, New Jersey will be implementing cost settlement in 2011.

#### *Annual Cost Settlement Process*

LEAs submit an annual cost report after the close of each fiscal year in order to receive or retain reimbursement for services rendered. Actual costs of providing Medicaid-covered health related services are compared to Medicaid reimbursement received. If costs exceed the reimbursement, the LEA receives a settlement; conversely, if reimbursement exceeds costs, the LEA pays back the difference. Several factors are included in the determination of LEA costs: salaries, benefits, and other related expenditures for participating direct service staff; the Indirect Cost Rate (ICR); the statewide direct service RMTS percentage, and the special education Medicaid Eligibility Ratio (MER).

#### *Random Moment Time Study (RMTS)*

Currently, only LEAs that participate in MAC are required to have staff participate in the RMTS process; however, with the implementation of cost settlement, all LEAs' staff will participate in the RMTS process. The RMTS is a five question survey completed once a quarter by a subset of staff. It is crucial that staff participate, as costs can only be claimed for RMTS participants.

#### *Quarterly Reports*

All LEAs will be required to submit quarterly staff pool lists and financial reports that are accurate and timely. LEAs should designate a coordinator to collaborate with other LEA staff/departments to do a comprehensive review of RMTS staff pools, follow up with RMTS participants, and to ensure that the cost settlement requirements are being met. Traditionally, the business office handles submission of financial reports while program offices update staff pool lists.