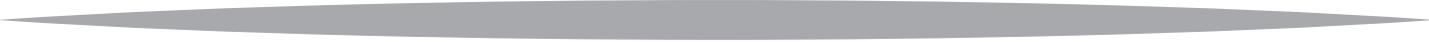


# **SCHOOL HEALTH SERVICES PROGRAM PROGRAM MANUAL**



## **SECTION 6 ANNUAL COST REPORT, RECONCILIATION AND SETTLEMENT**



## **Section 6: Annual Cost Report, Reconciliation and Settlement**

### **6.1 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:

1. Document the district total Medicaid allowable staff costs for providing direct medical or health-related services and client related transportation costs, including direct costs and indirect costs, based on a federally approved cost allocation methodology.
2. Reconcile interim payments that were made to the districts, described in [Section 5.3](#), to the total Medicaid allowable cost.
3. 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 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.
- Statistical information for Individualized Education Program (IEP) student counts and clients who receive specialized transportation as required in the IEP.

In addition, the following fields within the cost report are populated by the Department: RMTS annual percentage for each staff cost pool, district assigned Unrestricted Indirect Cost Rate (UICR), district specific specialized transportation trip count and the total interim payments made to the district (gross Medicaid claims amount).

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

### **6.2 Cost Reconciliation**

The cost report process ([Section 6.1](#)) 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 5.3](#)) 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 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.

### **6.3 Cost Settlement**

If a district's interim payments exceed the total certified costs, as identified in the district's cost report, the district is required to return an amount equal to the overpayment back to the Department.

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.

### **6.4 Desk 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 quarterly cost report.

### **6.5 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. The request must be made within 2 years of the annual cost report cost settlement date. 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, or
- A clear and obvious error, or

- 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.

