



Susana Martinez, Governor
Brent Earnest, Secretary
Nancy Smith-Leslie, Director

July 1, 2015

Bill Brooks, Medicaid Associate Regional Administrator
Division of Medicaid and Children's Health
Centers for Medicare and Medicaid Services
1301 Young St.
Dallas, TX 75202

Dear Mr. Brooks,

Enclosed are documents related to New Mexico State Plan Amendment (SPA) 15-005, Cost Settlement for Medicaid School-Based Services.

The primary purpose of this state plan amendment is to document that the New Mexico Medicaid School-Based Services program will change to a cost-based reimbursement methodology beginning with dates of service on or after July 1, 2015.

Native American Tribal Notification has been performed. A letter and copies of a policy supplement explaining the change were sent on April 14, 2015 for comment to Native American Tribal Leaders and to the directors of Indian Health Service facilities.

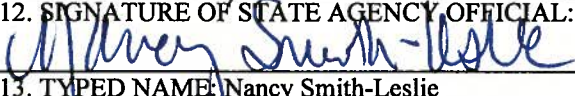
We appreciate your consideration of this state plan amendment. Should you have any questions on this amendment, please contact Ellen Costilla at Ellen.Costilla@state.nm.us or at (505) 827-3180.

Sincerely,

Nancy Smith-Leslie
Director

Copies:

Stacey Shuman, CMS
Robert Stevens, MAD Chief, Program Policy & Integrity Bureau
Ellen Costilla, MAD, Health Care Operations Manager
Sharilyn Roanhorse-Aguilar, MAD, Chief, Exempt Services & Programs Bureau
Christie Guinn, MAD, School Health Manager

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 15-005	2. STATE New Mexico
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2015	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	5. TYPE OF PLAN MATERIAL <i>(Check One)</i> : <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT <i>(Separate Transmittal for each amendment)</i>	
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447	7. FEDERAL BUDGET IMPACT: for FFY 2015: \$10,217,113.00 for FFY 2016 : \$10,900,861.00	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B; pages3c, 3d, 3e and 3f	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT <i>(If Applicable)</i> : Supersedes none; new pages	
10. SUBJECT OF AMENDMENT: Cost Settlement for Medicaid in the Schools		
11. GOVERNOR'S REVIEW <i>(Check One)</i> : <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT X OTHER, AS SPECIFIED: Authority <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Delegated to the Medicaid Director. <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		
12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Nancy Smith-Leslie, Director Medical Assistance Division P.O. Box 2348 Santa Fe, NM 87504 – 2348	
13. TYPED NAME: Nancy Smith-Leslie		
14. TITLE: Director, Medical Assistance Division		
15. DATE SUBMITTED: 07/01/2015		
FOR REGIONAL OFFICE USE ONLY		
17. DATE RECEIVED:	18. DATE APPROVED:	
PLAN APPROVED – ONE COPY ATTACHED		
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL:	
21. TYPED NAME:	22. TITLE:	
23. REMARKS:		

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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F. Direct Medical Services Cost Settlement

For the purpose of making interim Medicaid payments to local education agency (LEA) providers, the New Mexico Medicaid School-Based Services Fee Schedule will be applied to claims submitted to the Medicaid Management Information System (MMIS) for the above services. For transportation services, an interim rate will be determined based on a rate that represents the actual cost of providing the transportation service, upon final approval of the SPA and cost allocation plan

(a). Direct Medical Services Payment Methodology:

Beginning with cost reporting period July 1, 2015, the New Mexico Medical Assistance Division will begin settling Medicaid reimbursement for direct medical services at cost for all Local Education Agencies (LEAs). This reimbursement at cost methodology will include a quarterly Random Moment Time Study, an annual cost report and reconciled settlement. If payments exceed Medicaid-allowable costs, the excess will be recouped. Once the first year's cost reports are received, and each subsequent year, HSD/MAD will examine the cost data for all direct medical services to determine if an interim rate change is justified.

To determine the Medicaid-allowable direct and indirect costs of providing direct medical services to Medicaid-eligible clients in the LEA, the following steps are performed:

1. Direct costs for direct medical services include unallocated payroll costs and other unallocated costs that can be directly charged to direct medical services. Direct payroll costs include total compensation of direct services personnel listed in the descriptions for the covered Medicaid services delivered by school districts.
Other direct costs include costs directly related to the approved direct services personnel for the delivery of medical services, such as purchased services, direct materials, supplies, and equipment.
Medical devices and equipment are only allowable for the provision of direct medical services. These direct costs are accumulated on the annual cost report, resulting in total direct costs. The cost report contains the scope of the cost and methods for cost allocation that have been approved by the Centers for Medicare & Medicaid Services (CMS).
2. The net direct costs for each service is calculated by applying the direct medical services percentage from the CMS-approved time study to the direct cost in 1 above.

A time study which incorporates a CMS-approved methodology is used to determine the percentage of time medical service personnel spend on IEP-related medical services, and general and administrative time. This time study will assure that there is no duplicate claiming relative to claiming for administrative costs.

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3. Indirect costs are determined by applying the school district's specific unrestricted indirect cost rate to its net direct costs. New Mexico public school districts use predetermined fixed rates for indirect costs. The Public Education Department (PED) is the cognizant agency for the school districts, and approves unrestricted indirect cost rates for school districts for the US Department of Education (USDE). Only Medicaid-allowable costs are certified by providers. Providers are not permitted to certify indirect costs that are outside their unrestricted indirect cost rate.
4. Net direct costs and indirect costs are combined.
5. Medicaid's portion of total net costs is calculated by multiplying the results from Item 4 by the ratio of the total number of Medicaid students with an Individualized Education Program (IEP) or an Individual Family Service Plan (IFSP) receiving services to the total number of students with an IEP or an IFSP.

(b). Transportation Services Payment Methodology

Effective dates of services on or after July 1, 2015, providers will be paid on an interim cost basis. Providers will be reimbursed interim rates for school based health services, specialized transportation services at the lesser of the providers billed charges or the interim rate. This reimbursement at cost methodology will include an annual cost report and reconciled settlement. On an annual basis, a cost reconciliation and cost settlement will be processed for all over and under payments. Transportation to and from school may be claimed as a Medicaid services when the following conditions are met:

1. Special transportation is specifically listed in the IEP as a required service;
2. A medical service is provided on the day that specialized transportation is provided; and
3. The service billed only represents a one-way trip

Transportation costs included on the cost report worksheet will only include those personnel and non-personnel costs associated with special education. The cost identified in the cost report includes the following:

- 1) Bus Drivers
- 2) Bus Aides/Monitors
- 3) Mechanics
- 4) Substitute Drivers
- 5) Fuel
- 6) Repairs and Maintenance
- 7) Rentals
- 8) Contract Use Cost
- 9) Vehicle Depreciation

TN No. _____
Supersedes TN No. _____

Approval Date _____
Effective Date _____

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The source of these costs will be audited Chart of Accounts data kept at the school district and the Public Education Department (PED) level. The Chart of Accounts is uniform throughout the State of New Mexico. Costs will be reported on an accrual basis.

- 1) A rate will be established and applied to the total transportation cost of the school system. This rate will be based on the *Total IEP/IFSP Special Education Department (SPED) Students in the District Receiving Transportation*. The result of this rate (%) multiplied by the *Total District or Public Education Department Transportation Cost* for each of the categories listed above will be included on the cost report. It is important to note that this cost will be further discounted by the ratio of *Medicaid Eligible SPED IEP/IFSP One Way Trips* divided by the total number of *SPED IEP/IFSP One Way Trips*. This data will be provided from transportation logs. The process will ensure that only one way trips for Medicaid eligible Special Education children with IEPs are billed and reimbursed for.
- 2) Indirect costs are determined by applying the school district's specific unrestricted indirect cost rate to its net direct costs. New Mexico school systems use predetermined fixed rates for indirect costs. The PED is the cognizant agency for the school systems, and approves unrestricted indirect cost rates for the school systems for the US Department of Education (USDE). Only Medicaid allowable costs are certified by providers. Providers are not permitted to certify indirect costs that are outside their unrestricted indirect cost rate.
- 3) Net Direct Costs and Indirect costs are combined.

(c) Certification of Funds Process

On an annual basis, each provider will certify through its cost report its total actual, incurred Medicaid allowable costs/expenditures, including the federal share and the nonfederal share. Providers are permitted only to certify Medicaid-allowable costs and are not permitted to certify any indirect costs that are outside their unrestricted indirect cost rate.

(d) Annual Cost Report Process

For Medicaid services listed in Amendment 93-27 State Supplement A to Attachment 3.1A pg. 5d #13 provided in schools during the state fiscal year, each LEA provider must complete an annual cost report. The cost report is due on or before April 1 following the reporting period.

The primary purposes of the cost report are to:

1. Document the provider's total CMS-approved, Medicaid-allowable costs of delivering Medicaid coverable services using a CMS-approved cost allocation methodology.
2. Reconcile any interim payments to its total CMS-approved, Medicaid-allowable costs using a CMS approved cost allocation methodology.

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The annual Cost Report includes a certification of funds statement to be completed, certifying the provider's actual, incurred costs/expenditures. All filed annual Cost Reports are subject to desk review by the New Mexico Medicaid Agency or its designee.

(e) The Cost Reconciliation Process

The cost reconciliation process must be completed by the New Mexico HSD/MAD within twenty-four months of the end of the reporting period covered by the Cost Report. The total CMS-approved, Medicaid-allowable scope of costs based on CMS-approved cost allocation methodology procedures are compared to any LEA provider's Medicaid interim payments delivered during the reporting period as documented in the Medicaid Management Information System (MMIS), resulting in a cost reconciliation.

For the purposes of cost reconciliation, the state may not modify the CMS-approved scope of costs, the CMS-approved cost allocation methodology procedures, or its CMS-approved time study for cost-reporting purposes. Any modification to the scope of cost, cost allocation methodology procedures, or time study for cost-reporting purposes requires approval from CMS prior to implementation; however, such approval does not necessarily require the submission of a new state plan amendment.

(f) The Cost Settlement Process

EXAMPLE:

For services delivered for the period covering July 1, 2015 through June 30, 2016, the annual Cost Report is due on or before April 1, 2017, with the cost reconciliation and settlement processes completed no later than June 30, 2018.

If a provider's interim payments exceed the actual, certified costs for Medicaid services provided in schools to Medicaid clients, the provider will remit the federal share of the overpayment at the time the cost report is submitted. The New Mexico HSD/MAD will submit the federal share of the overpayment to CMS within 60 days of identification.

If the actual, certified costs of a LEA provider exceed the interim payments, the New Mexico HSD/MAD will pay the federal share of the difference to the provider in accordance with the final actual certification agreement and submit claims to CMS for reimbursement of that payment in the federal fiscal quarter following payment to the provider.