

# AcademyHealth State-University Partnership Learning Network (SUPLN) Web Conference

Addressing Issues related to  
Federally Financed Participation  
(FFP) Claiming

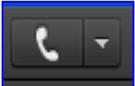
January 29, 2015

# Teleconference Instructions

Please make sure your computer is linked to your phone:

- A box should appear on your screen when you log-in with dial-in instructions.

OR

- Click on the phone symbol  in the toolbar at the top of your screen. Enter your phone number and click “join,” the system will call you directly.

OR

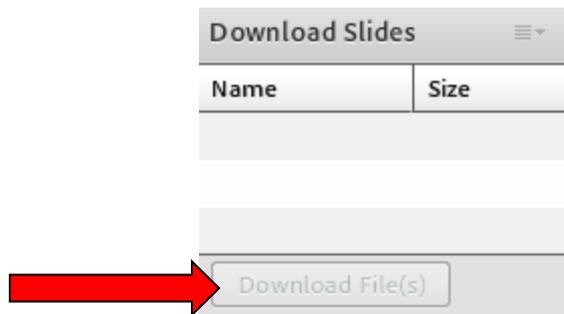
- Call in directly:
  - Dial 1-866-244-8528
  - Enter the access code 602144 and press pound (#)
  - Once you have dialed in, click on the information symbol  in top right corner of the meeting room and dial the “Telephone Token” number into your phone.
  - The system will link your phone with your computer.

# View the Slides in Full Screen

- If you would like to view the slides in full screen, click the four way arrow button  on the top right corner of the slides.

# Download Slide Deck and Materials

- If you would like to download the slide deck and materials for this presentation, click the “Download File(s)” button in the box marked “Download Slides” in the lower left-hand corner.



# Technical Assistance

- If you have technical questions during the event, please type them into the chat box in the lower left-hand corner of the screen.
- Live technical assistance is also available:
  - Please call Adobe Connect at (800) 422-3623

# Discussion

To raise your hand:

1. Participants can use the hand raise button at the top of the screen to signal to the presenter that they would to speak



To submit a question:

1. Click in the chat box on the left side of your screen
2. Type your question into the dialog box and click the Send button



*Please mute your phones if you are not speaking to reduce background noise.*

# AcademyHealth Staff

- Enrique Martinez-Vidal, Vice President  
State Policy and Technical Assistance
- Alyssa Von Ruden, Senior Manager
- Stephanie Kennedy, Research  
Assistant

# Current SUPLN Members

- California (UCSF, UCD, UCLA)
- Connecticut
- Delaware
- Florida
- Georgia
- Iowa
- Maine
- Maryland
- Massachusetts
- Michigan (MSU, UM)
- Minnesota
- New Hampshire
- New Jersey
- Ohio
- South Carolina
- Wisconsin (Exec, Leg)

# Agenda

- Welcome and Introductions
- Overview & Discussion of Federal Funding under Title XIX: Medicaid
  - Jean Sullivan, Associate Vice Chancellor and Director, Center for Health Law & Economics, Univ of Mass Medical School
  - State Respondent: Linda Bimbo, University of New Hampshire
- Q+A/Discussion

# Federal Funding under Title XIX: Medicaid

## The Basics for State University – Medicaid Partnerships

Jean C. Sullivan, J.D.  
Associate Vice Chancellor  
Director, Center for Health Law & Economics  
University of Massachusetts Medical School  
January 29, 2015



# Contents

- Partnership Relationship Factors
- Medicaid: A Federal – State Program
- Financial Participation in Medicaid
- Medicaid Administrative Expenditures
- Administrative Expense Claiming
- Cost Determination and Allocation
- Formal Link to the Medicaid Agency
- Compensation to the University
- Permissible Sources of “State Share” Financing
- Discussion

# University Partnerships: Relationship factors

- Champions within the Medicaid agency and the University who value the partnership
- Mutual respect for the competencies and contributions of each partner
- Mutual appreciation of the institutional limits of and demands on each partner

# Medicaid: a federal and state program

- Congress enacted Title XIX of the federal Social Security Act in 1965
- Title XIX established a ***jointly funded and administered*** federal – state program of medical assistance for low-income children, families, seniors and people with disabilities
- Each state “elects to participate” in this entitlement program and designates a “**Title XIX Single State Agency**”
- Federal Purpose Statement-

"For the purpose of enabling each State, as far as practicable under the conditions in such State, to furnish (1) ***medical assistance*** on behalf of families with dependent children and of aged, blind, or disabled individuals, whose *income and resources are insufficient* to meet the costs of necessary medical services, and (2) ***rehabilitation and other services*** to help such families and individuals attain or retain capability for independence or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this subchapter. The sums made available under this section shall be used for making payments to States which have *submitted, and had approved by the Secretary, State plans for medical assistance.*" (emphasis added) See 42 U.S.C. §1396.

# State *and* Federal “Financial Participation” in Medicaid expenditures

- The state and federal governments share the costs of the program; federal financial participation, called “FFP,” is calculated at various rates of reimbursement.
- Title XIX of the Social Security Act authorizes federal funding and establishes a formula for setting a “Federal Medical Assistance *Percentage (FMAP)*” for each participating State.
- Expenditures are classified as either *program* expenses (direct medical services to eligible enrollees) or *administrative* expenses (necessary for the administration of the Medicaid program), as defined by federal regulations.
  - *Generally*, administrative expenditures are matched at 50% for all states, but
  - *Enhanced* FMAP rates for certain administrative expenditures; *e.g.*, systems development; and skilled medical professionals *employed by* the *State*. (See 42 CFR 433.15(b)(1)-(6) for enhanced FMAP for certain activities)

# Medicaid Administrative Expenditures

- Administrative expenditures include costs of activities necessary for the “proper and efficient” operation of the medical assistance program, including *for example*:
  - Eligibility determinations and provider payment functions
  - Operational or clinical quality control, ensuring access to services
  - Ensuring Medicaid is “payer of last resort”; i.e., TPL and COB
  - Managing clinical quality, utilization and cost effectiveness of services
  - Program integrity monitoring, analysis and evaluation
  - Program and policy development, planning, research and analysis
  - Federal reporting, FFP claiming costs, responses to federal inquiries
- The Cost Allocation Plan (CAP) and amendments to keep it current provide basis for claiming FFP for administrative expenditures
- Administrative expenditures made by *other* state agencies, universities, public instrumentalities or local government may be claimed *if included in CAP and certified* as a qualifying expenditure.

# Administrative Expense Claiming

- Definition of Administrative Expenditures:
  - Under section 1903(a)(7) of the Act, FFP is available for amounts expended by a state “as found necessary by the Secretary for the proper and efficient administration of the state plan,” per 42 USC 1396b(a)(7) and 42 CFR 433.15(b)(7).
  - The Secretary is *the final arbiter* of which administrative activities are eligible for funding – CMS or OIG *may audit University* expenditures and documentation.
  - Claims for FFP must come directly from the single state Medicaid agency.
- OMB Circular A-87 contains the cost principles for the administration of federal awards to state, local and Indian tribal governments.
  - Governmental units are responsible for the efficient and effective administration of Federal awards; expenditures must be reasonable and necessary.
- OMB Circular A-21 relates to determining costs applicable to grants, contracts, and other agreements with educational institutions.
- OMB Circular A-133, under the Single Audit Act, sets standards for “consistency and uniformity” for the audit of States, local governments and non-profit organizations expending federal awards.

# Cost Determination and Allocation

- Medicaid administrative costs must be allocated in accordance with the benefits received by the Medicaid program (OMB Circular A-87).
- An allocation method must be developed and approved by the Medicaid agency, based on the relative benefit to the Medicaid program.
- The allocation methodology must be incorporated into the State's approved Public Assistance Cost Allocation Plan (42 CFR 433.34) or "CAP".
- The allocation methodology describes the procedures used in identifying and measuring costs properly included as Medicaid administrative costs.
- Costs must not include expenses for general health programs that are made available to all persons and not specifically targeted to Medicaid eligible beneficiaries.
- Costs certified and claimed must be supported by *adequate source documentation*.
- Indirect rates established under OMB A-133 are recognized for FFP purposes, but *may not* be reimbursed by the State Medicaid agency (above the agency's own indirect rate).

# Formal Link to the State Medicaid Agency

- “Designated Medicaid Single state agency” *formally* agrees or recognizes the activity and expenses as “necessary to the proper and efficient administration” of its State Medicaid (Title XIX) program
- Medicaid agency executes an interagency or other contractual **agreement** with any entity it asks to perform Medicaid administrative activities on its behalf.
- Agreements **define and describe** the relationship between the state Medicaid agency and the entity incurring expenses, including the nature and costs of the activities.
- The University **certifies** to the Medicaid agency that the expenditures qualify as “administrative costs,” as defined by federal law and terms of the agency agreement.
- The Medicaid “single state agency” **submits** all claims for FFP
- Cost determination and allocation methods conform to Cost Allocation Plan

# Compensating University Activity

- Direct appropriation to Medicaid agency for University activities
  - All costs fully funded by the agency per contract or ISA agreement
  - No certification by university needed
  - Agency claims FFP for the State
- FFP only - University certifies its own expenditures and Agency submits these in its claims for FFP
  - Legislative authorization needed to move FFP to the university accounts
  - Beneficial when activity is already being performed and funded by university but not previously recognized as related to “administration of the Medicaid program.”
  - When permissible third party sources of funding are available to the University for the “state share” of the Medicaid administration expenditures; e.g., private grants or donations
- Joint contribution to state share funding by University and Agency
  - Legislative authorization needed to move FFP amounts to the university
  - Agency transfers funds to the university equal to the *difference between* total costs and available FFP on those costs;
  - University certifies total costs for FFP claiming; and
  - Amounts equal to the FFP received are credited to the university accounts

# Permissible state fund sources for FFP

- Permissible sources of State Financial participation in Medicaid:
  - any public, non-federal source of funds, or
  - “permissible” donations (no ‘quid pro quo’), and
  - non-Federal grants - public or private\*, or
  - rarely, federal grants that permit matching under Title XIX
- When is a University considered “public” for purpose of “state share”?
  - Examination of enabling legislation
  - Nature of state appropriations structure
  - Governance structures
  - State liability for debts and legal judgments

\* *Only where grant funds are under control of public entity – unrestricted, donated without hold harmless features; **requires case by case review***

- Questions and Discussion

- Contact info

Jean C. Sullivan, J.D.

Associate Vice Chancellor, Commonwealth Medicine

Director, Center for Health Law & Economics

The Schrafft Center

529 Main Street, Suite 605

Charlestown, MA 02129-1120

508-856-3730 or 617-886-8120

[Jean.Sullivan@umassmed.edu](mailto:Jean.Sullivan@umassmed.edu)

# Questions?