

# Understanding Rate Setting and Cost-Based Interim Payment Methodologies for Direct School-Based Services (SBS)

Tuesday, November 14, 2023

3:30-4:30 p.m. ET | 2:20-3:30 p.m. CT | 12:30-1:30 p.m. PT



CMS Financial Management Group (FMG)  
7500 Security Boulevard  
Baltimore, MD 21244

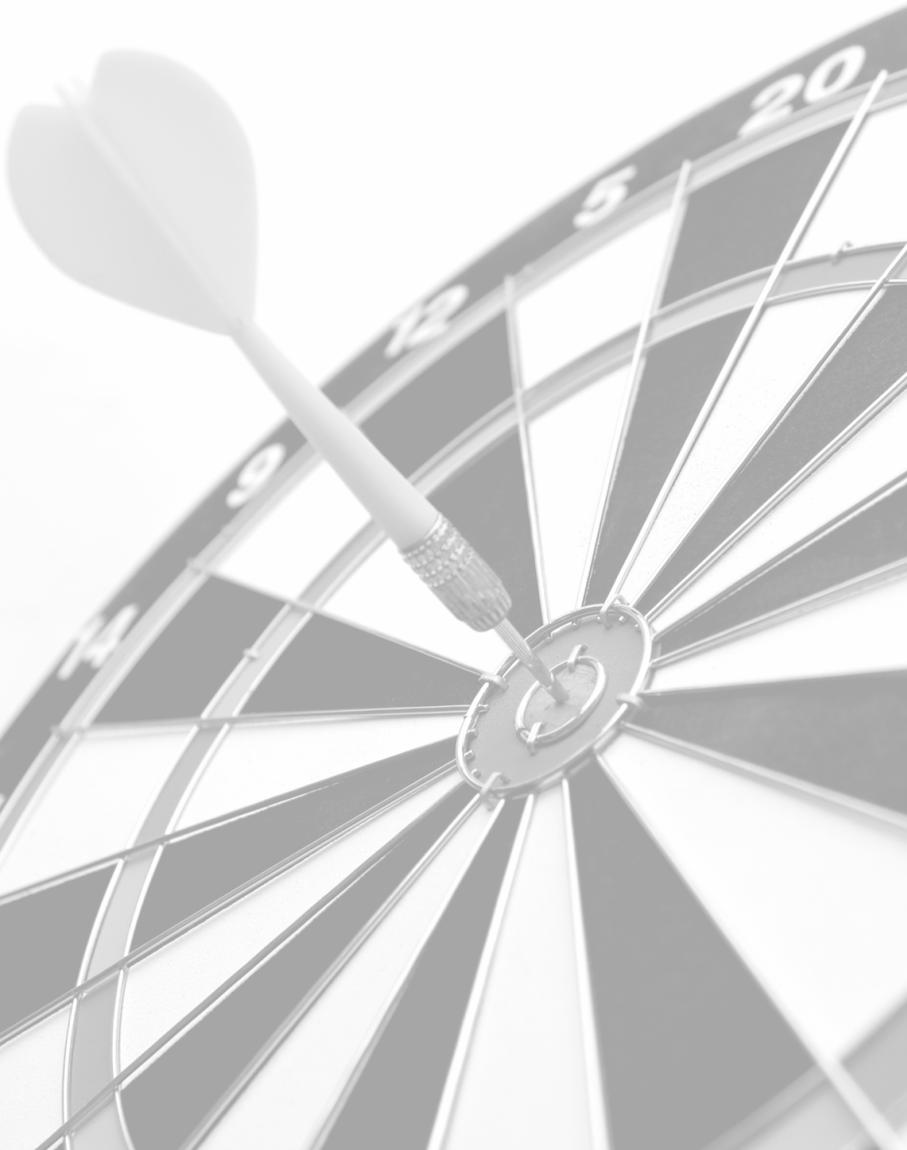


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# Agenda

- › Welcome
- › Objectives
- › Understanding Requirements for Billing and Claiming SBS
- › Getting Started:
  - › General Considerations
  - › FFS Rates, Cost-Based Rates, and Reconciled Cost-Based Methodologies
- › State Spotlight: Colorado
- › Questions, Conclusion, and Adjournment

# Objectives

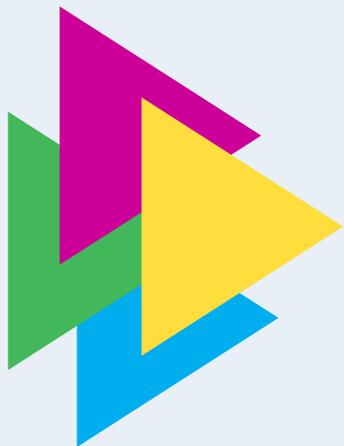


This webinar is intended to (1) inform State Medicaid Agencies (SMAs) and State Education Agencies (SEAs) about options for cost- and rate-based reimbursement for direct SBS and (2) present considerations in implementing payment methodologies and rate-setting.

By the end of this webinar, you should be able to:

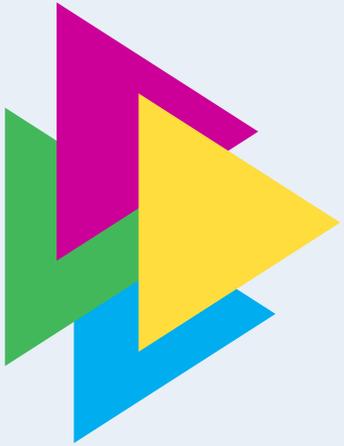
- › Identify key considerations and action steps for developing payment methodologies.
- › Describe specific considerations for States using rate- or cost-based methodologies.
- › Describe best practices and lessons learned from States that have an expanded SBS SPA.

# The Bipartisan Safer Communities Act



- On June 25, 2022, President Joe Biden signed into law the Bipartisan Safer Communities Act (BSCA).
- Title 34, Subtitle B, Chapter 3 includes a directive to CMS to provide additional guidance to States on Medicaid SBS to:
  - Increase access to Medicaid funded school-based health services, including mental health services.
  - Reduce administrative burden.
  - Support Federal compliance with IDEA requirements, billing and payment.

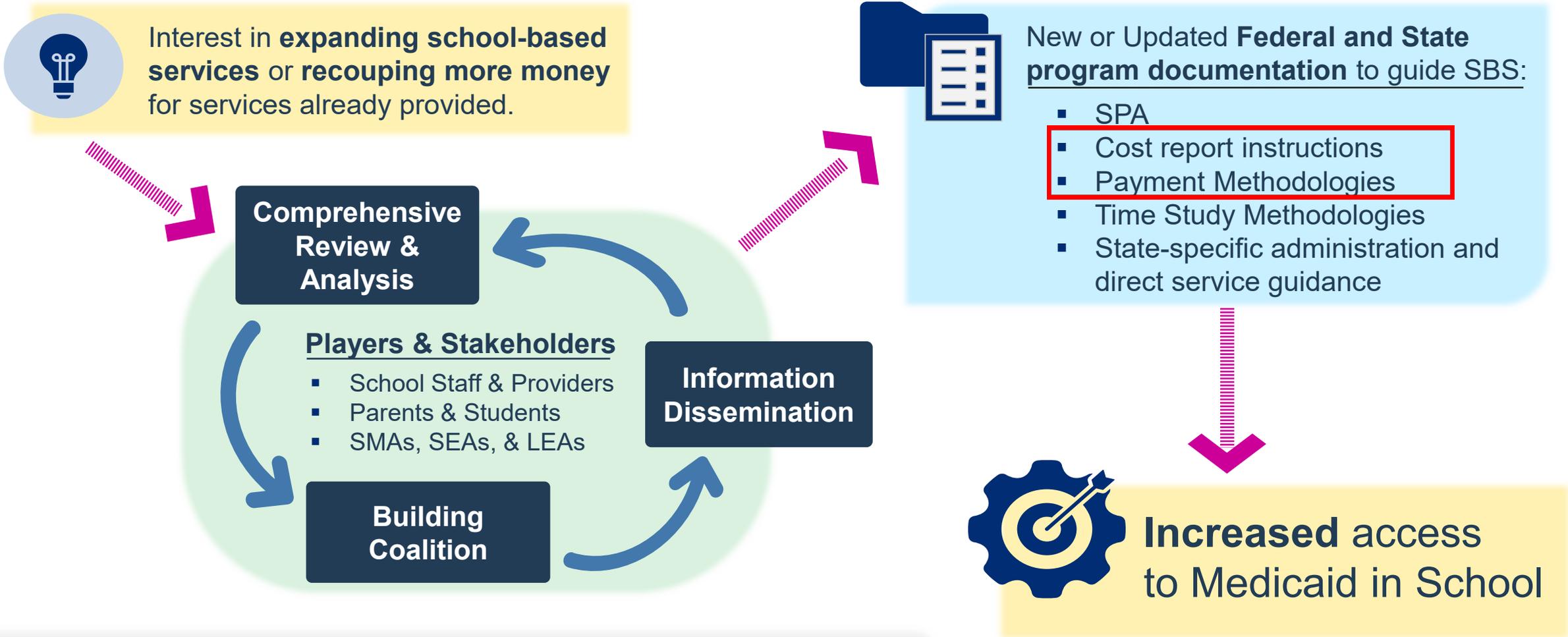
# The Bipartisan Safer Communities Act (cont.)



- For Medicaid SBS, BSCA specifically addresses:
  - Establishing responsibility for interagency coordination between State agencies.
  - Providing SMAs and SEAs with technical assistance necessary for them to access Medicaid to provide SBS.
  - A special rule that identifies that the requirements may be met through State statute or regulation, signed agreements, or other appropriate written methods.

# **Understanding Requirements for Billing and Claiming SBS**

# Increasing Access to SBS



## CMS and TAC

Serving as a technical assistance resource to support SMAs, SEAs, and LEAs **throughout the process** of increasing access to Medicaid SBS

# Background on SBS Financing

- Payment for SBS will include both Federal and State funds.
- Amendments to State Medicaid plans (i.e., SPA) must describe a payment plan for SBS, including:
  - How the State will fund the State share
  - How the State will obtain the Federal share
- State must also review and update:
  - Administrative claiming guidance documents provided to SEAs and LEAs
  - Time study implementation plan, as needed
  - Other state-specific policies and guidance documents that govern Medicaid and IDEA
- SPAs and administrative claiming amendments should be submitted as soon as possible but no later than **June 1, 2026**.

# Options for Contributing to Non-federal Share for SBS

<b>Certified Public Expenditures (CPEs)</b>	Certification of funds expended to support Medicaid services.
<b>State Legislative Appropriations</b>	General revenue funds appropriated by the State legislature directly to the SMA to pay for Medicaid/CHIP expenditures.
<b>Intergovernmental Transfers (IGTs)</b>	Funds appropriated or collected by State or local governments that are transferred to, and under the administrative control of, the SMA, and used to support Medicaid activities as the non-federal share.
<b>Participation in the Non-Federal Share</b>	Public charter schools and private schools are typically funded through state appropriations or IGTs. Private schools cannot participate in a CPE funding mechanism.

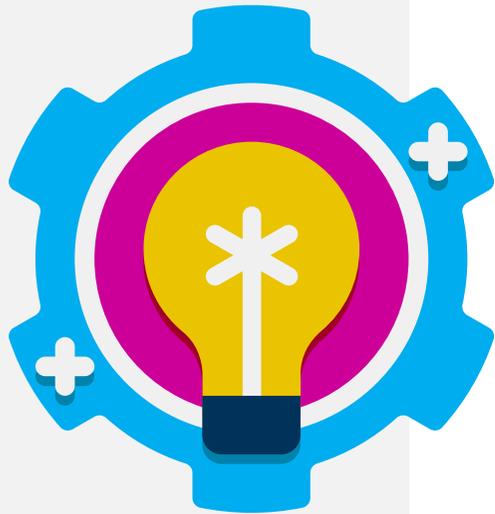


**Note:** IGTs can (but do not have to be) funded by State legislative appropriations.

# Methods for Calculating Federal Share for SBS

Payment Methodology	Generates reimbursement through...	Using ....	SPAs must....
<b>FFS Rates</b>	Fee-for-service (FFS) rate payment for direct services; funded through appropriations or IGTs (but not CPEs)	Existing <b>community FFS rates</b> for non-school based providers and/or <b>enhanced payment rates</b> for SBS	Reference relevant community and/or enhanced fee schedules that will be used for SBS and document/justify any rates higher than community payment schedule
<b>Cost-Based Rates</b>	Cost-based rate payment for direct services; funded through appropriations or IGTs (but not CPEs)	<b>Cost-based rates</b> (commonly derived from cost reports and utilization from the previous year and/or consideration of provider salaries and overhead)	Reference relevant cost-based rates that will be used for SBS
<b>Reconciled Cost-Based Methodology</b>	Certifying expenditures of SBS delivered that must be reconciled at year end; funded through CPEs (but not appropriations or IGTs)	<b>Interim rates</b> , commonly developed using previous year's costs to pay for SBS- but can use flexibilities; interim payments are <b>reconciled to actual costs</b> at the end of the year	Describe cost-identification process, types of providers and school staff providing SBS, and instructions for reconciling actual costs to interim payment (see guide for details)

# Considerations for Deciding on a Payment Methodology



- What education services would be eligible for Medicaid funding that are not already financed by the State for SBS?
- How are special education services currently treated?
- How much cash-flow might schools need to provide services throughout the year?
- How reliable and accurate are available SBS payment data that will be used for rate-setting?
- Are sufficient resources available to support development of the payment methodology and related documentation?

# **Getting Started: General Considerations**

# Path to Getting Started

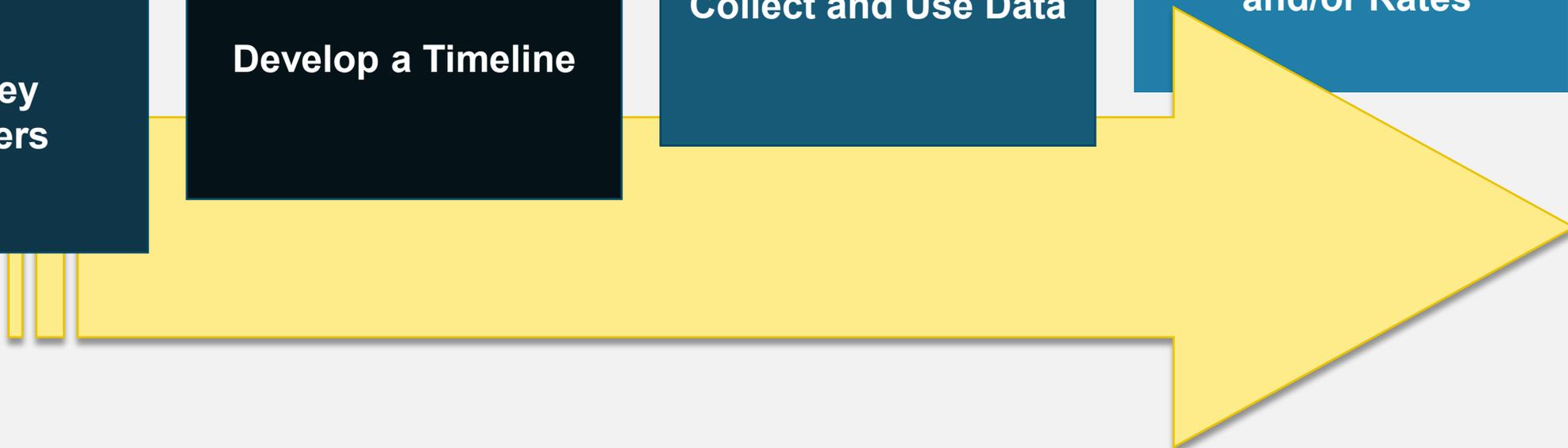
**Establishing a Payment Approach  
(FFS Rates, Cost-Based Rates, or Reconciled Cost-Based Methodology)**

**Engage Key  
Stakeholders**

**Develop a Timeline**

**Collect and Use Data**

**Document  
Methodology  
and/or Rates**



# Coalition Work: Engage Key Stakeholders

*Identify and engage key players to support rate setting and maintaining payment methodologies*



## Identify partners and document roles and responsibilities.

- > Accountability: SMAs
- > Identify roles of key players, including SEAs, SMAs, LEAs, provider organizations, managed care organizations (MCOs), and school administrative staff
- > Consider if SMA should engage an actuary



**Purpose:** To clearly establish roles and responsibilities across agencies.

# Roles and Responsibilities

Steps	Agency Roles		
	SMA	SEA	LEA
Engage key stakeholders	Leading	Supporting/Informing	Supporting/Informing
Develop a timeline	Leading	Supporting/Informing	Supporting/Informing
Collect data	Recipient	Supporting/Informing	Supporting/Informing
Use data	Leading	Supporting/Informing	Supporting/Informing
Document methodology and/or rates	Leading	Recipient	Recipient

# Coalition Work: Develop a Timeline

*Develop a timeline for preparing a payment methodology.*



## Timeline

- > Accountability: SMAs
- > Consider time needed to:
  - Develop and document rates
  - Coordinate with key stakeholders including LEAs and MCOs
  - Apply rates or cost payment methodology



**Purpose:** Map out time needed to establish payment methodology in advance of SBS implementation, keeping in mind CMS's June 1, 2026, deadline.

# Coalition Work: Collect and Use Data

## Identify and implement plan for collecting and using data

- Accountability: SMAs, with SEAs and/or LEAs providing data as needed
- Develop a plan for data collection
- Collect data from previous years
- Analyze data to establish methodology



**Purpose:** Calculate interim payment rates (for states using reconciled cost-based payment methodology) or establish enhanced FFS or cost-based rates for SBS.

# How complete and accurate are available data on past SBS costs?

## Data sources may include:

### ▶ From LEAs and SEAs

- De-identified data for direct medical services
  - MMIS claims data or service documentation, service logs, or expenditure reports

### ▶ From SMAs

- Cost reports and utilization data from set time period, if available
- Community or cost-based FFS schedule, for reference
- Other statewide historical data



Having reliable data is critical to establishing accurate rates



If data are not complete and accurate, SMAs could:

- Work closely with SEAs and/or LEAs to improve data quality
- Use available MSIS/T-MSIS data to fill in gaps

# Coalition Work: Document Payment Methodology

## Clearly document payment methodology and/or rates and cost reporting expectations

- Accountability: SMAs
- Document methodology and/or rates in the State's:
  - Medicaid State Plan Amendment (i.e., SPA),
  - Cost allocation plan (MAC or PACAP)
- If enhanced FFS rates will be used, justify rates are economic and efficient



**Purpose:** To (1) provide CMS with State's plan for federal and non-federal payment of SBS and (2) ensure LEAs and SEAs understand how payment for SBS should be billed and how they will be paid the federal share.

# What must be documented in the SPA?

Component*	FFS Rates	Cost-Based Rates	Reconciled Cost-Based Methodology
Direct medical service payment methodology	X	X	X
List of 1905(a) services and assurance that services are covered in Medicaid plan	X	X	X
Interim payment methodology			X
Annual reconciliation and cost settlement procedures		X	X
Specialized transportation cost pools and allocation (if applicable)			X
Specialized transportation paid via a rate	X	X	

\* These are general requirements; States should refer to the May 2023 Comprehensive Guide for a detailed description of documentation requirements.

# Getting Started: FFS Rates

# Using FFS or Enhanced FFS Rates

- States may use existing **community FFS rates** established for providers in non-school settings.
  - With May 2023 SMDL, States may also develop **enhanced FFS rates** for school-based providers to account for costs of delivering services in school settings.
- When establishing enhanced FFS rates:
  - Use complete and accurate data sources, including community FFS schedule for reference
  - Consider cost-benefit of establishing rates that are higher than community FFS schedules
  - Keep in mind that States using CPEs to fund SBS cannot use FFS rates **to justify cost**

# What Must Be Documented for the Payment Methodology?

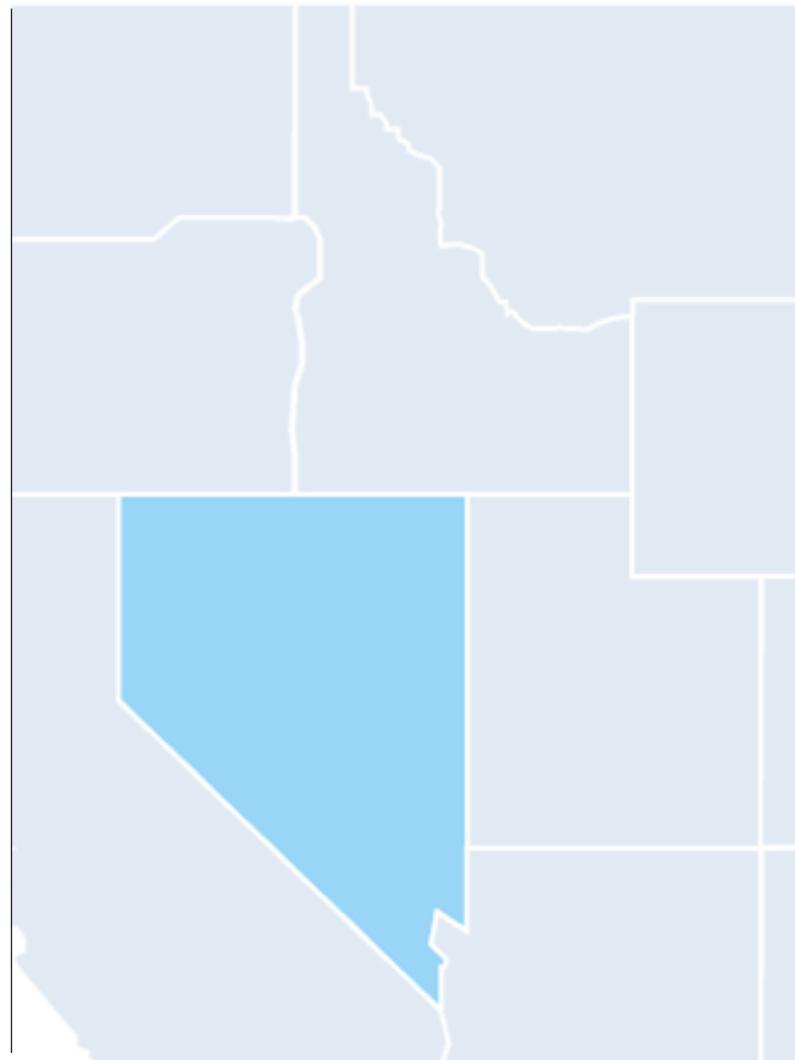


- Relevant community and/or enhanced FFS schedule(s) that will be used for SBS
- Effective date of fee schedule(s)
- Type of providers and services the fee schedule(s) apply to
- Must have justification that any enhanced rates used are consistent with economy, efficiency and quality of care

# Nevada: Community FFS Rates

- Nevada uses the existing community FFS schedule to reimburse school-based providers and services.
- The State's SPA references a fixed fee schedule for specific school-based services, with rates published on the agency's website.

Source: <https://www.medicaid.gov/sites/default/files/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/NV/NV-19-005.pdf>.



# South Carolina: Community and Enhanced FFS Rates



- South Carolina established higher rates for behavioral health providers that provide rehabilitative behavioral health services in schools.
- The alternative fee schedule includes the following services:
  - diagnostic assessment
  - service plan development
  - individual psychotherapy
  - group psychotherapy
  - family psychotherapy
  - crisis management
- All other SBS are paid at community FFS rates.

Source: <https://www.medicaid.gov/medicaid/spa/downloads/SC-22-0010.pdf>.

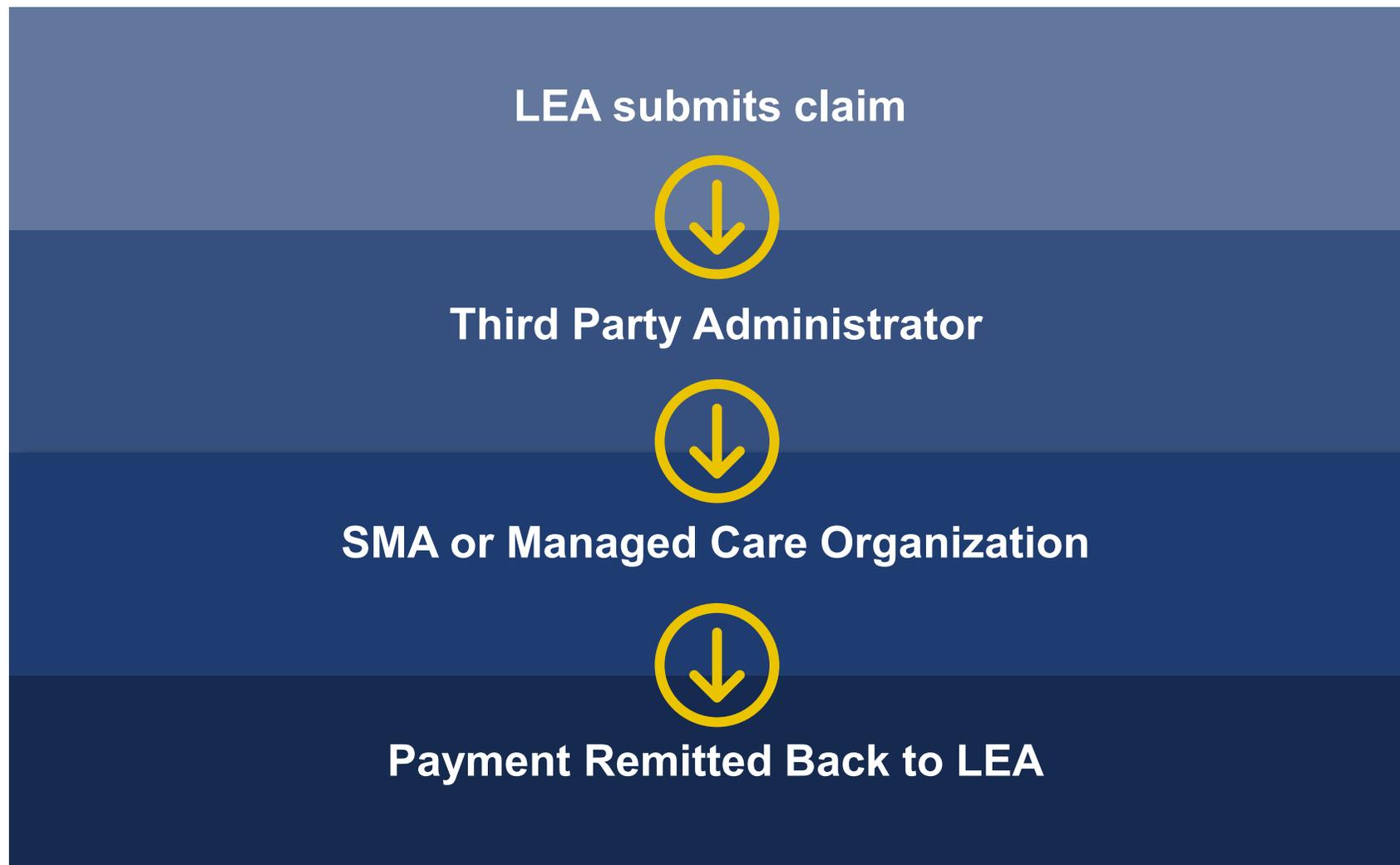
# Getting Started: Cost-Based Rates

# Using Cost-based Rates



- Costs may be higher in a school setting due to (1) higher number of paid staff participating in the care of Medicaid-eligible students and/or (2) the scope of services that could be included in a child's IEP.
- Using this approach, States develop rates specific for Medicaid-covered services and providers (for some increment of time) like PT, OT, SLP, etc.
- Provider services can be tracked by submitted claims to the SMA or using another methodology that comprehensively tracks the services.
- State funding for cost-based rates must use appropriations or IGTs (not CPEs).

# Reimbursement Under Cost-based Rate Methodology



# Calculating Cost-based Rates

- In establishing cost-based rates that are informed by the actual costs of delivering services in schools, States should consider collecting these data in the cost report:
  - Salary and benefits of qualified providers
  - Medical supplies and equipment used to furnish services
  - Overhead associated with covered services (generally covered in the cognizant agency indirect cost rate)
- States should use complete and accurate data sources, such as:
  - LEA-provided information about time and cost associated with common services furnished in school
  - Service utilization data from claims or service documentation
- LEAs should consider how they pay contractors.

# Calculating Cost-based Rates (continued)



- Cost-based rates are typically set for a defined service type on a statewide basis but may also be regional or LEA specific, as long as the data support the rates.
- SMAs should periodically review cost-based rates and the services provided to ensure rates are updated to reflect cost.
- Cost-based rates are subject to Federal cost rules.

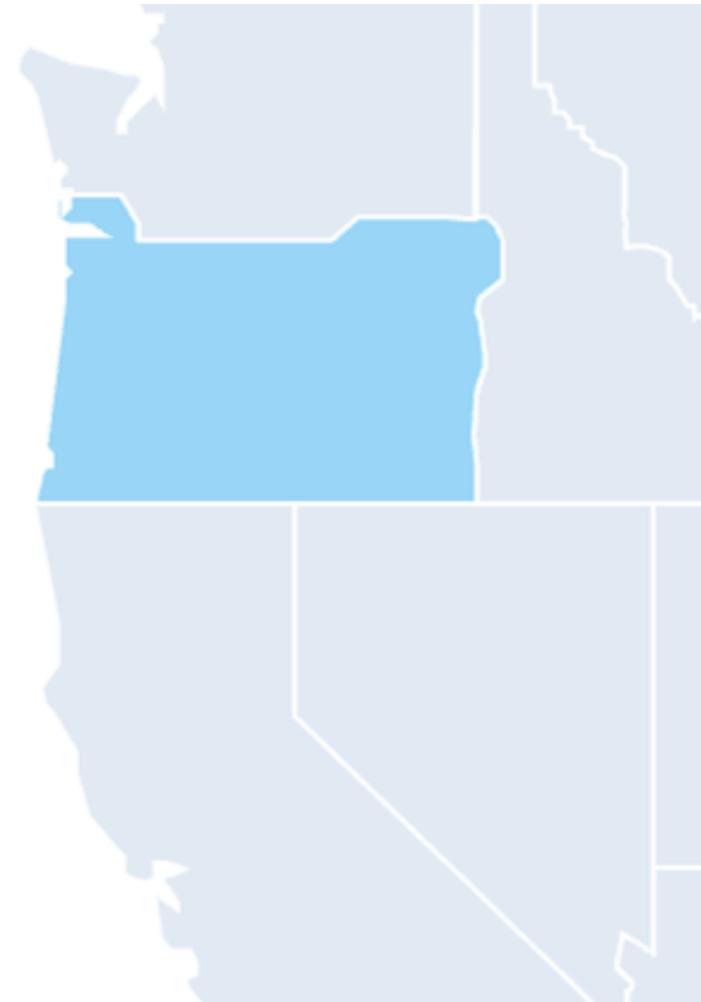
# What Must Be Documented for the Payment Methodology?

- List of 1905(a) services and assurance that services are covered in Medicaid plan
- Relevant cost-based rates that will be used for SBS
  - How the rates are formulated & updated for each services/provider
  - Services and providers covered and the relevant billing increment(s)
- If varying cost-based rates will be used in different locations/LEAs, justification for how rates are determined in each LEA
- When and how cost-based rates will be reviewed and updated

# Oregon: Cost-Based Rates

- Oregon providers and services are reimbursed at cost-based rates using audited financial information from the Oregon Department of Education (ODE).
- State portion of payment is funded through IGTs.
- The ODE requires annual cost reporting from each LEA along with a Medicaid Cost Calculation worksheet to develop a cost per minute rate for each service.
- The only costs per time billed to Medicaid are for minutes where treatment is provided and supporting documentation for actual service time is completed and maintained.
- Each LEA's per minute costs are established based on prior year audited costs and billed to Medicaid on a cost per minute rate.
- If an LEA does not have full prior year actual costs to establish a per minute rate, the LEA can use a cost methodology for the first year to establish cost-based rates.

Source: <https://www.medicaid.gov/sites/default/files/2023-05/OR-19-0011.pdf>.



# **Getting Started: Reconciled Cost-Based Methodology Using CPEs**

# Using a Reconciled Cost-based Methodology

- SMAs make interim payments (including new flexibilities) to providers throughout the year, then reconcile to incurred costs attributable to Medicaid in the cost report.
- Interim rates provide cash flow to offset the ongoing cost of service delivery prior to cost reconciliation and settlement procedures.
  - Interim payments are generally less than the actual service cost.
- Implementing any interim payment flexibility to not submit claims for each service **does not change the requirement to collect** State Medicaid Manual minimum documentation requirements.
- States that use a reconciled cost-based payment methodology for SBS must use CPEs (certify that funds were expended by public entities for Medicaid services).

## Using a Reconciled Cost-Based Methodology (continued)

- For States in which SBS are carved-in to managed care:
  - Schools will receive reimbursement on a schedule defined in the managed care plan contracts, unless otherwise specified.
  - SMAs can modify MCP contracts to require MCP reimbursement on an alternate schedule such as PCPM.
  - If a state makes this modification, the State must adhere to the federal requirements for State-directed payments (42 C.F.R. § 438.6(c)).
- For States in which SBS are carved-out of managed care:
  - States may choose any payment methodology and put in SPA.

# Calculating Interim Payments

- SMAs can structure interim payments in multiple ways. For example:
  - LEAs or schools can bill SMAs for services provided and SMAs can pay the community FFS rate as an interim payment OR
  - SMAs can make monthly or quarterly interim payments to LEAs or schools based on the prior year's costs (1/12th or some percentage of 1/12th)
- Interim payments may be statewide or LEA-specific (but are generally easier to apply statewide)
- The May 2023 SMDL introduced new flexibilities for interim payments:
  - ▶ Roster billing
  - ▶ Per child per month (PCPM) payments
  - ▶ Bundled payments

# Interim Payment Flexibilities

<b>Roster Billing</b>	SMA's create and multiply a pre-determined rate or the State's FFS rate for similar services, on a quarterly or monthly basis, by the number of Medicaid-enrolled students that receive a covered services within the service period. Quarterly or monthly payments would then be reconciled to actual cost at the end of each year.
<b>Per Child, Per Month Rates (PCPM)</b>	SMA's create a cost-based rate based on 1/12th of the provider's previous year's actual cost, which would be paid out each month on a PCPM basis.
<b>Average Cost Per Service Monthly Interim Rate</b>	SMA's create an average per-encounter rate based on the services the SMA anticipates will be provided on average in the encounter by an LEA/school-based provider.
<b>Bundled Interim Payments</b>	Bundled interim rates are allowed as long as they are explained clearly, where interim payments are reconciled to actual cost are allowable if providers maintain auditable documentation of each service a student receives for Medicaid reimbursement.

# Michigan: Interim Payment Methodology

Michigan uses interim payment rates that are provider-specific.

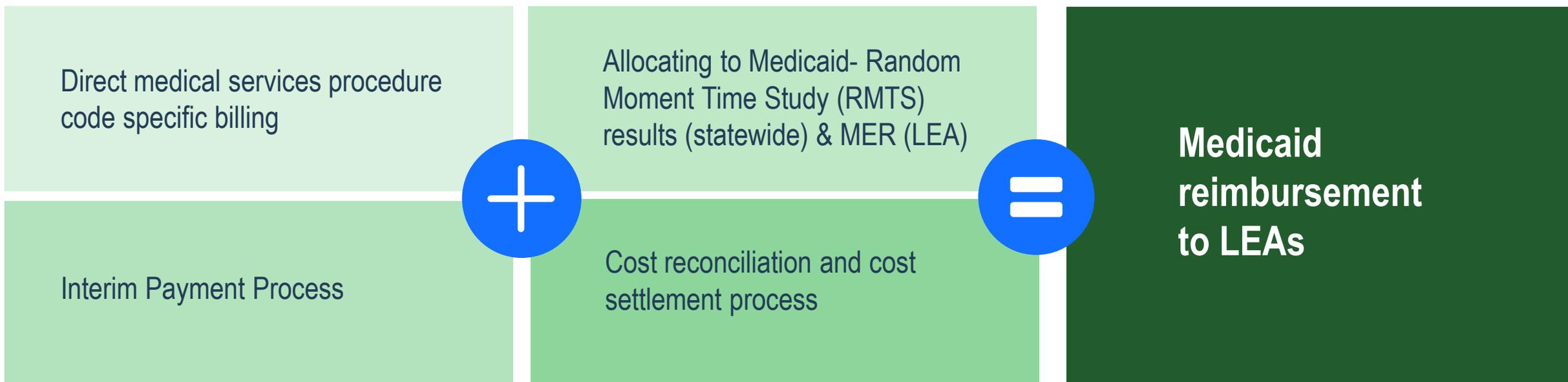
- Interim payments are calculated based on an estimated monthly cost formula and utilize prior year costs with inflation.
- Payments are issued by the Michigan Department of Health and Human Services.
- Reconciliation is performed after final cost reports are reviewed and reported.
  - Cost reporting and reconciliation are based on the fiscal school year, July 1 –June 30
- Providers can request an increase or decrease in their interim payment amount by submitting written documentation of significant changes in coverage, service utilization, or staff costs.

Source: [https://www.michigan.gov/-/media/Project/Websites/mdhhs/Folder2/Folder78/Folder1/Folder178/MSA\\_19-26.pdf?rev=750dc71f4c9e4d1eba3a71006aba4a08](https://www.michigan.gov/-/media/Project/Websites/mdhhs/Folder2/Folder78/Folder1/Folder178/MSA_19-26.pdf?rev=750dc71f4c9e4d1eba3a71006aba4a08)



# Michigan: School Services Reimbursement

Michigan's Medicaid reimbursement process for direct medical services includes the following components:

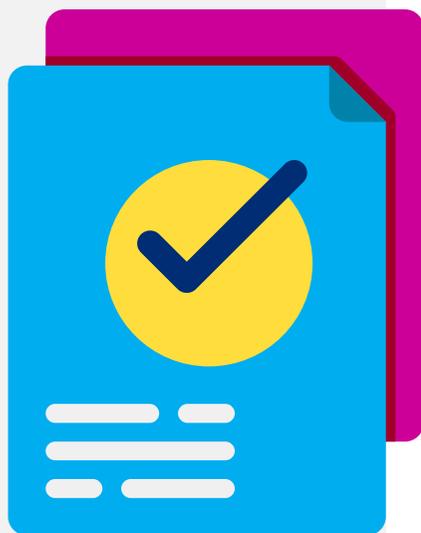


**Source:** [https://www.michigan.gov/-/media/Project/Websites/mdhhs/Folder2/Folder78/Folder1/Folder178/MSA\\_19-26.pdf?rev=750dc71f4c9e4d1eba3a71006aba4a08](https://www.michigan.gov/-/media/Project/Websites/mdhhs/Folder2/Folder78/Folder1/Folder178/MSA_19-26.pdf?rev=750dc71f4c9e4d1eba3a71006aba4a08)

# What Must Be Documented for the Payment Methodology?

- List of 1905(a) services and assurance that services are covered in Medicaid plan
- Direct medical service payment methodology, including:
  - Results from time study used to allocate costs to Medicaid, including relevant sampling periods and cost pool(s) for direct medical services
  - Cost identification and allocation methodology including allowable direct costs and applicable cognizant agency indirect cost rate
- Interim payment methodology
  - Should describe amounts paid to SBS providers prior to cost reporting and reconciliation
- Annual reconciliation and cost settlement procedures
- Specialized transportation cost pools and allocation (if applicable)
- Supporting materials:
  - Detailed cost report instructions for providers
  - Certification to be signed by a school or LEA official
  - Time study implementation plan, MAC/PACAP, and others as needed

# Cost Reporting Requirements



- States and LEAs should determine the portion of the actual, incurred cost of furnishing SBS that can be certified to the SMA for reimbursement using a uniform cost report that will be completed by each LEA, including appropriate and consistent allocations to Medicaid.
- Most LEAs use audited financial statements as the first step in developing cost reports.
- LEAs that use cost-based rates or cost methodologies are required to:
  - Use a cost reporting methodology to identify allowable costs for SBS
  - Submit a uniform SBS cost report to the SMA to document the costs of providing Medicaid-covered services specified in the Medicaid State plan

# **State Spotlight: Colorado**

# Introduction to Today's Panelists

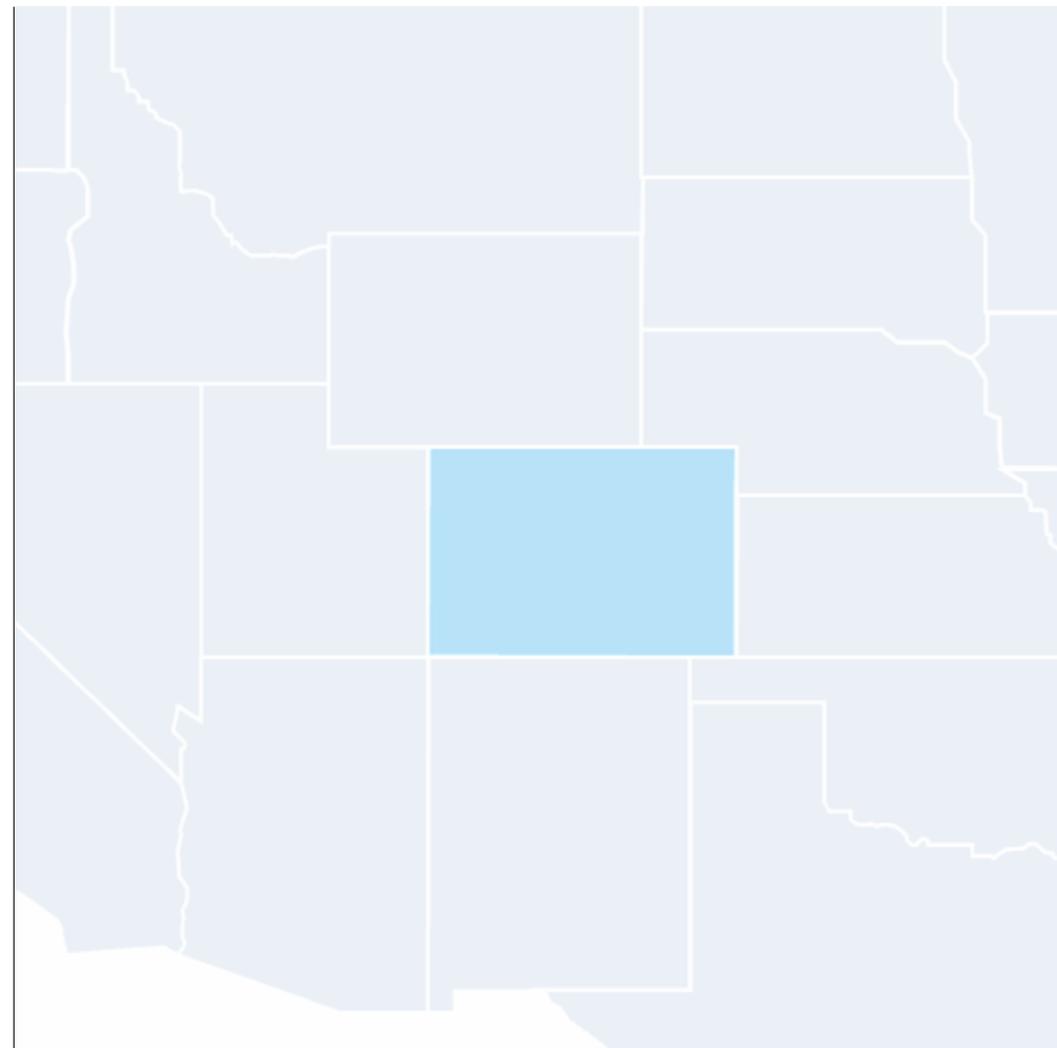


**COLORADO**

Department of Health Care  
Policy & Financing

**Shannon Huska**  
Financing Unit Manager

**Olga Gintchin**  
Program Administrator



# Facilitated Discussion

- Please describe your State's experience developing a payment methodology for SBS.
- Did your State encounter any challenges or barriers during this process? If so, how did you deal with them?
- What advice would you give to another State embarking on this effort?





# Questions?

Email: [SchoolBasedServices@cms.hhs.gov](mailto:SchoolBasedServices@cms.hhs.gov)

