

Understanding COST POOLS

Job Aid

This guide will assist local educational agencies (LEAs) in promoting their understanding of cost pools. It is essential to review and understand your state's specific guidance regarding time studies and cost pools, however.

Many states claim the costs of Medicaid services to the federal Medicaid agency, CMS, to partially recover those costs. In order to ensure accurate claiming to Medicaid, certain accounting principles are applied when determining the appropriate amount to claim. School-Based Services (SBS) costs for direct medical and administrative costs should be identified in cost pools and allocated to Medicaid. Cost pools are found in the state-specific claiming guidance based on a state's claiming methodology for federal reimbursement of Medicaid SBS.

What Are Cost Pools?

A state must develop a cost pool identification and allocation methodology, as detailed through a cost report and associated instructions, that meets regulatory requirements.* The cost report must appropriately identify and allocate 100 percent of the direct and indirect costs associated with the provision of Medicaid-covered SBS.

- As part of the cost identification process for Medicaid SBS direct service and administrative costs, each entity billing Medicaid (e.g., an LEA or school district) must clearly define the cost pools from which amounts attributable to Medicaid will be identified and claimed for reimbursement. Time studies often have multiple cost pools to account for different types of staff (e.g., direct medical staff and administrative activities staff). The same costs should not be included in multiple cost pools.



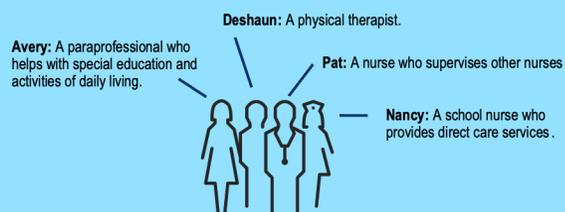
- In general, cost pools are a list of qualified provider types and other medical costs directly associated with providing Medicaid-covered services that, once properly allocated, may be claimed for Medicaid reimbursement.

More specifically, the term “cost pool” may mean different things to state Medicaid agencies (SMAs) and LEAs:

SMA: For SMAs, cost pools consist of a list of qualified provider types and costs associated with those provider types, which may include salaries, benefits, and other personnel costs.

LEA: For LEAs, the term “cost pool” refers to the specific individuals and other medical costs within a group of clinicians or job categories who need to participate in a time study so that the associated costs can be claimable.

Example:



Cost pools are used to group alike providers with similar job functions or duties. Some states may have a pool for physical therapy only, or they may have a pool that combines physical therapy, speech language pathology, and occupational therapy together. Once the cost pools for the different provider types and services are identified, time studies will determine a percentage of time spent on allowable Medicaid activities for each cost pool in order to properly claim the amount of time that each activity spends on Medicaid services or administrative activities.

* 45 C.F.R. Part 75: [eCFR :: 45 CFR Part 75 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards](#)
42 C.F.R. Part 430: [eCFR :: 42 CFR Part 430 -- Grants to States for Medical Assistance Programs](#)
42 C.F.R. Part 447: [eCFR :: 42 CFR Part 447 -- Payments for Services](#)



How Are Cost Pools Used?

States need to describe each cost pool used to claim for Medicaid reimbursement for medical services in the Medicaid State Plan, as well as the methodology to be used to identify the portion of the cost pool attributable to Medicaid (either in the Time Study Implementation Plan or in the Medicaid State Plan with a Medicaid Enrollment Ratio (MER) or other allocation).

To determine the claim amount, costs are allocated to each activity based on the results of the Random Moments in Time Study (RMTS). When claiming, the RMTS results apply to the cost pools for all the staff in the sample universe and should be for the same period as the time study. If the time study results in multiple allocation percentages, each percentage is only applied to the applicable cost pool(s) used to derive the percentage.

Once allowable direct service costs are isolated, that direct service cost pool is multiplied by an allocation statistic, as applicable, to further isolate direct costs specifically related to the provision of direct medical services.

Why Are Cost Pools Required?

As part of the cost allocation process for Medicaid SBS direct service and administrative costs, each school district must clearly group providers/other staff, functions/activities, and associated costs. This helps LEAs ensure that only allowable costs are claimed.

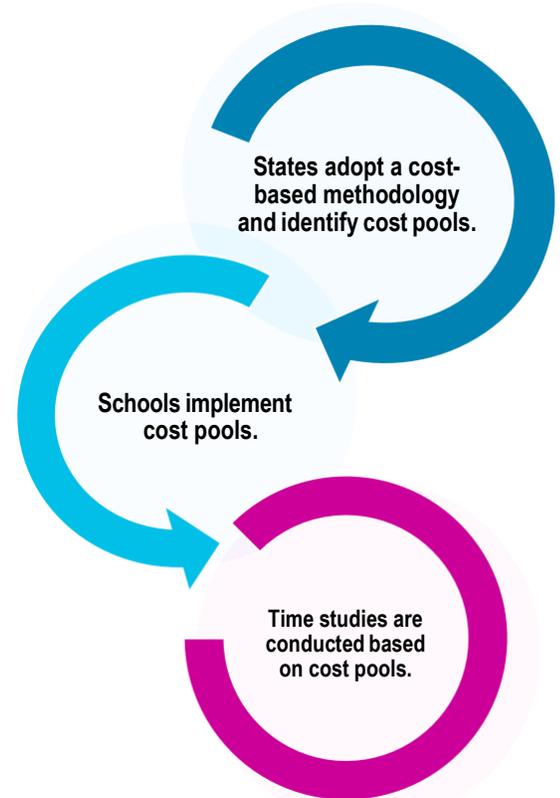
Why Are Cost Pools Needed?

States that use cost-based reimbursement methodology use cost pools to:

- Identify the cost of allowable direct services eligible for federal Medicaid reimbursement.
- Identify administrative activities (allowed by the state) eligible for federal Medicaid reimbursement.

Since schools are not traditional healthcare settings, direct service practitioners may provide non-Medicaid-eligible services or participate in school activities like assemblies. Therefore, not all costs (e.g., salary and benefits, equipment, medical supplies) are reimbursable by the federal government. For cost allocation methodologies, a time study (which includes cost pools) is used to identify what proportion of direct service and/or administrative costs are reimbursable.

Note: If a provider is delivering 100-percent qualified medical services, they do not have to be assigned to a cost pool. Instead, their salary and other qualified costs can be adjusted by solely using the MER.



All cost pools are approved by the Centers for Medicare & Medicaid Services (CMS) within the Time Study Implementation Plan (TSIP).



Direct Medical Service Cost Pools are approved as part of the State Plan Amendment approval process.

Administrative Claiming Cost Pools approval is part of the Public Cost Allocation Plan (PACAP) approval process.

Defining Cost Pools

Considerations for Cost Pool Allocation

LEAs should review the materials provided by the state with regard to cost pools. It is important to review time study guidance to make sure that personnel are being assigned to the right cost pool based on provider type **and** job function. Here are some considerations when reviewing those materials.

Consideration	Example
<ul style="list-style-type: none"> Personnel cannot be counted in more than one pool; pools must be mutually exclusive. Depending on a state's approach to the TSIP, cost pools that exclusively include a single provider type (e.g., PT only, SLP only) can promote accurate reporting and funding. 	A physical therapy assistant cannot be identified in both the Physical Therapy pool and the Personal Care Services pool; they can be in either one or the other.
<p>The cost pool must be homogenous.</p> <ul style="list-style-type: none"> Provider types within the cost pool must deliver similar types of services. Cost pools may be identified by provider type and further defined by scope of job function. 	Service providers/clinicians who perform administrative activities can be in only one direct service pool, but that pool should include all who perform that job function.
Schools should ensure that all staff intended to be captured in the cost pools are indeed captured in those groups and include allowances for staff/positions that are not currently filled.	<ul style="list-style-type: none"> Each job role and/or position that would be reimbursed by Medicaid needs to be identified in a cost pool. Schools should review how each staff member, job role, and/or position are grouped by their billing vendor to ensure that all services and job functions are accounted for.
Consider the day-to-day job activity of each clinician.	If a registered nurse primarily provides care coordination and referrals and does not provide a significant amount of direct care services, the provider may be more appropriate for an administrative activity service pool.

Cost Pool Example

SMAAs have flexibility to define cost pools. Here is an example that details how cost pools could be allocated for an LEA:

Administrative Activity-Only Cost Pools:

- Referral and coordination services.
- Translation services.
- Medicaid enrollment; Medicaid/Children's Health Insurance Program specialist.
- Program planning, policy development, interagency coordination.

Direct Services Cost Pools:

Within each direct service cost pool, there is a determination regarding the amount of time (or percentage of time) spent providing Medicaid-covered activities—this may include both direct care and administrative functions. For this reason, it is important to understand that time spent on administrative activities can be reimbursed for direct care pool participants.

- Nursing and nursing services.
- Personal care services.
- Specialized transportation.*
- Therapist: Physical therapy, occupational therapy, speech–language pathology.
- Mental health and substance use disorder services.

* *Specialized transportation may be claimed under direct service or administrative costs (for brokered transportation) but may only be identified in one cost pool.*

Additional Resources and Examples

- Medicaid School-Based Services Technical Assistance Center: Additional training on time studies and other related topics forthcoming: [Medicaid and School Based Services | Medicaid](#)
- Delivering Services in School-Based Setting: A Comprehensive Guide to Medicaid Services and Administrative Claiming: <https://www.medicaid.gov/sites/default/files/2023-07/sbs-guide-medicaid-services-administrative-claiming-ud.pdf>.
- Colorado State Plan Amendment: <https://www.medicaid.gov/sites/default/files/State-resource-center/Medicaid-State-Plan-Amendments/Downloads/CO/CO-19-0021.pdf>.



If you have questions about the information provided in this job aid, contact us at SchoolBasedServices@cms.hhs.gov.