

Federal Funding under Title XIX: Medicaid

The Basics for State University – Medicaid Partnerships

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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

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