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## Why LHD File Cost Reports

- LHD State Plan Amendment (SPA)
  - Provision 42 CFR 413 Subpart B and 42 CFR 447
    - Medicaid Requires an annual cost report filed
    - Payments must not exceed the upper payment limit
    - Reconciliation is allowed for Medicaid covered services
    - Bases for calculating Cost Settlement payments
- Establish Ratio of Cost to Charges (RCC)
  - Provision 42 CFR § 438.6(c)(1)(iii)(B)
    - “Provide a uniform dollar or percentage increase for network providers that provide a particular service under contract”
    - Bases for calculating Additional Utilization Based Payments (AUBP)
- Establish an Annual Cost of Service
  - Evaluate annual fee for service
  - Establish administrative cost basis

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## Cost Settlement Calculation

- Determine cost for providing clinical services
  - Direct Clinical Cost Claimed at 100%
    - Physicians, Physician Assistant, All Dental Staff,
  - Direct Clinical Cost Claimed Based on Actual Time Report
    - Nurses, Social Workers, Health Educators, Nutritionists
  - Clinical Administrative Cost - Portion
    - Nurse Director/Supervisor, Clinical Billing/Support, Pharmacy & Interpreter
  - Administration - Portion
    - Health Director, Finance, Human Resources, Support, & Medical Director
- Determine Medicaid Utilization Factor
  - Total Charges
    - Uniform charges per service unduplicated "scrubbed" - Denominator
  - Medicaid Charges
    - Medicaid adjudicated charges (services paid by Medicaid) - Numerator

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## Cost Settlement Calculation Cont.

- Total Clinical Cost
  - Cost for providing clinical services
- Apply Medicaid Utilization Factor
  - Medicaid factor applied to total clinical cost
- Subtract Interim Medicaid Payments
  - Medicaid payments provided by DHB (adjudicated claims)
- Apply Federal Funds Participation Rate (FFP)
  - Federal Share only. Approx. 65% clinical and 90% FP
  - LHD certifies non federal share via attestation letter signed
- Result equals Total Settlement Due – Paid Annually
  - DHB pays 90% interim settlement
  - DHB prepares desk audit and pays remainder due for final settlement

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## AUBP Calculation

- AUBP Payments – Paid Quarterly
  - Based on Ratio of Costs to Charges (RCC)
    - Cost is derived from the SFY 2017 cost report filed
    - Charges are derived from paid claims by Prepaid Health Plans (PHP)
- Each PHP will prepare and submit the AUBP calculation
  - Based on claims paid by PHP in preceding calendar quarter
- DHB will invoice each LHD for the non federal share
  - DHB reviews and summarizes the quarterly AUBP calculation
  - LHD submits payment via Inter-governmental Transfer (IGT)
- PHP will pay AUBP payment quarterly
  - DHB directs PHP to pay AUBP based on their portion of claims paid
  - LHD certifies non federal share via attestation letter signed
- Annual reconciliation prepared by DHB

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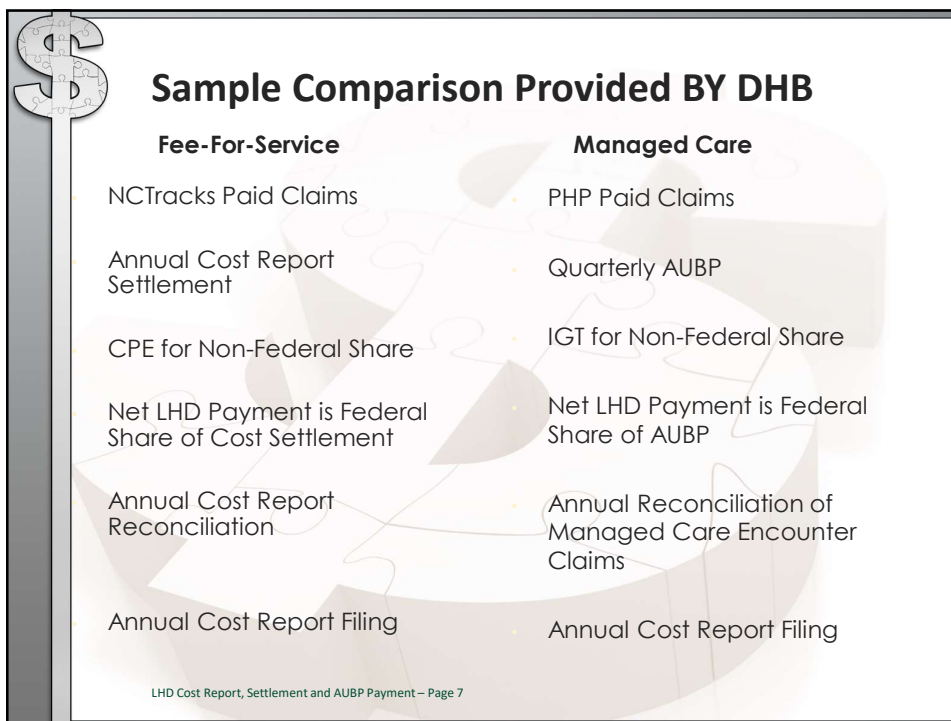
## Sample Payment Cycle Provided by DHB

DRAFT ADDITIONAL UTILIZATION BASED PAYMENT (AUBP) PROCESS LHD

Day	Date	Type	Beginning Day	Ending Day	Time	Entity	Action
1	1/22/2020	LHD	Wednesday, January 22, 2020	No Later Than - PHP Cutoff Date	5:00:00 PM	PHP	PHPs prepare Direct Payment Invoice with support documentation and send to DHB
1	1/22/2020	LHD	Wednesday, January 22, 2020	Same Day - PHP Cutoff Date	5:00:00 PM	DHB Audit	Receive LHD Directed Payment invoice and support documentation from all Plans (Max of 8)
2	1/23/2020	LHD	Thursday, January 23, 2020	Tuesday, February 4, 2020		DHB Audit	Verify each LHD Directed Payment Invoice calculations
2	1/23/2020	LHD	Thursday, January 23, 2020	Tuesday, February 4, 2020		DHB Audit	Prepare Directed Payment Cover Memo Authorization to each PHP
2	1/23/2020	LHD	Thursday, January 23, 2020	Tuesday, February 4, 2020		DHB Audit	Prepare FCN Excel Template for each PHP for DHB Finance
2	1/23/2020	LHD	Thursday, January 23, 2020	Wednesday, January 29, 2020		DHB Audit	Create each LHD Invoice which summarize Directed Payments from All Plans
2	1/23/2020	LHD	Thursday, January 23, 2020	Wednesday, January 29, 2020		DHB Audit	Prepare Schedule of IGT's for Controller's Office
8	1/29/2020	LHD	Wednesday, January 29, 2020	Same Day		DHB Audit	Distribute Templates for Expected IGT Receipts to CO / Finance
8	1/29/2020	LHD	Wednesday, January 29, 2020	Same Day		DHB Audit	Submit Invoices to LHDs with specific amounts due following Tuesday at 12:00 Noon
14	2/4/2020	LHD	Tuesday, February 4, 2020	Same Day	12:00:00 PM	LHDs	IGT's Due from LHD's by 12:00 Noon
14	2/4/2020	LHD	Tuesday, February 4, 2020	Same Day		CO	Confirm receipt of IGT's from LHD's and amounts
14	2/4/2020	LHD	Tuesday, February 4, 2020	Same Day		DHB Audit	Send LHD Directed Payment memo Authorizations to PHP's for following week check write
14	2/4/2020	LHD	Tuesday, February 4, 2020	Same Day		DHB Audit	Send FCN Excel Templates to DHB Finance
14	2/4/2020	LHD	Tuesday, February 4, 2020	Wednesday, February 5, 2020		DHB Finance	DHB Finance receive FCN Excel Template and Prepares FMR for transmission to NC Tracks
15	2/5/2020	LHD	Wednesday, February 5, 2020	Same Day	12:00:00 PM	DHB Finance	DHB Finance to send FMR and FCN Excel Templates to NC Tracks by 12:00 Noon
16	2/6/2020	LHD	Thursday, February 6, 2020	Same Day		NC Tracks	NC Tracks to generate new report to view FCN Payments prior to payment
17	2/7/2020	LHD	Friday, February 7, 2020	Same Day	5:00:00 PM	CO	Financial Transactions Released
20	2/10/2020	LHD	Monday, February 10, 2020	Same Day	10:00:00 AM	DHB Finance	Calculate and Draw Federal Funds
21	2/11/2020	LHD	Tuesday, February 11, 2020	Same Day		CO	Receives federal funds from Federal Grants Branch
21	2/11/2020	LHD	Tuesday, February 11, 2020	Same Day		MMIS	NC Tracks Check write of Directed Payments to PHP's
21	2/11/2020	LHD	Tuesday, February 11, 2020	Same Day		MMIS	Permitance Advice
22	2/12/2020	LHD	Wednesday, February 12, 2020	Same Day		MMIS	Payment in PHP Account
22	2/12/2020	LHD	Wednesday, February 12, 2020	Monday, February 17, 2020		PHP	PHP's make Directed Payments to LHD's
22	2/12/2020	LHD	Wednesday, February 12, 2020	Monday, February 17, 2020		LHD	LHD's Received Directed Payments from PHP's
31	2/22/2020	LHD	Friday, February 21, 2020			LHD	LHD's confirm to DHB they have received Directed Payments from Specific PHP's

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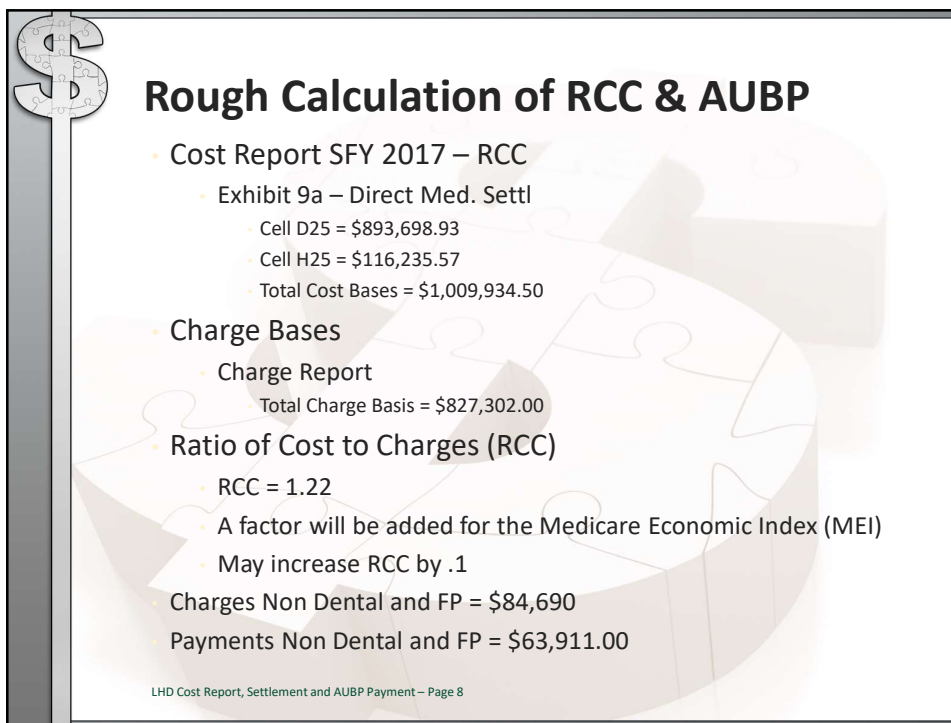


## Sample Comparison Provided BY DHB

Fee-For-Service	Managed Care
• NCTracks Paid Claims	• PHP Paid Claims
• Annual Cost Report Settlement	• Quarterly AUBP
• CPE for Non-Federal Share	• IGT for Non-Federal Share
• Net LHD Payment is Federal Share of Cost Settlement	• Net LHD Payment is Federal Share of AUBP
• Annual Cost Report Reconciliation	• Annual Reconciliation of Managed Care Encounter Claims
• Annual Cost Report Filing	• Annual Cost Report Filing

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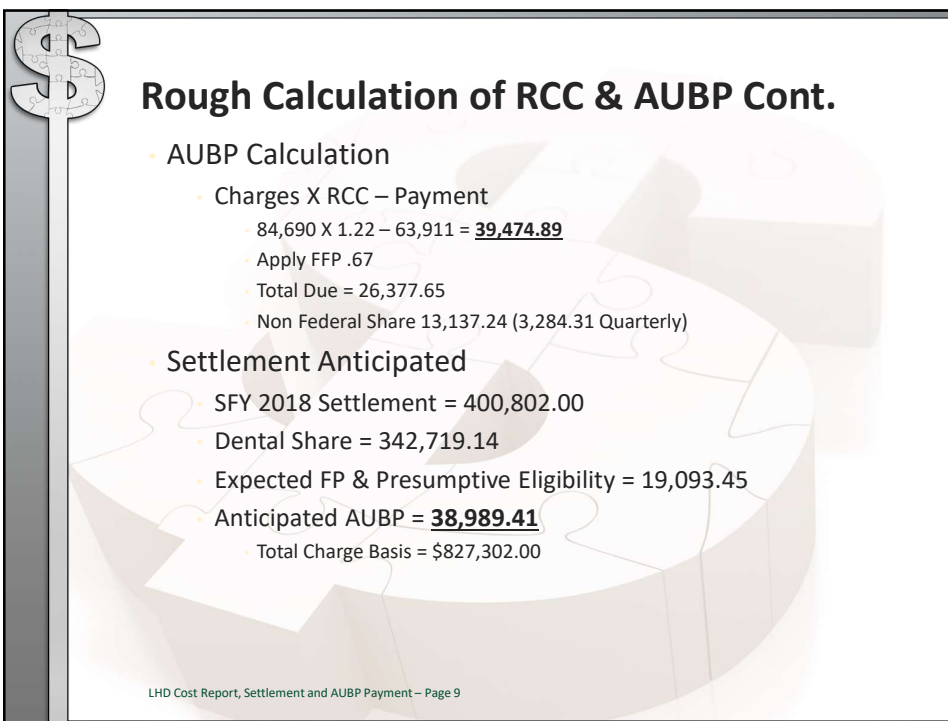
## Rough Calculation of RCC & AUBP

- Cost Report SFY 2017 – RCC
  - Exhibit 9a – Direct Med. Settl
    - Cell D25 = \$893,698.93
    - Cell H25 = \$116,235.57
    - Total Cost Bases = \$1,009,934.50
- Charge Bases
  - Charge Report
    - Total Charge Basis = \$827,302.00
- Ratio of Cost to Charges (RCC)
  - RCC = 1.22
  - A factor will be added for the Medicare Economic Index (MEI)
  - May increase RCC by .1

Charges Non Dental and FP = \$84,690  
 Payments Non Dental and FP = \$63,911.00

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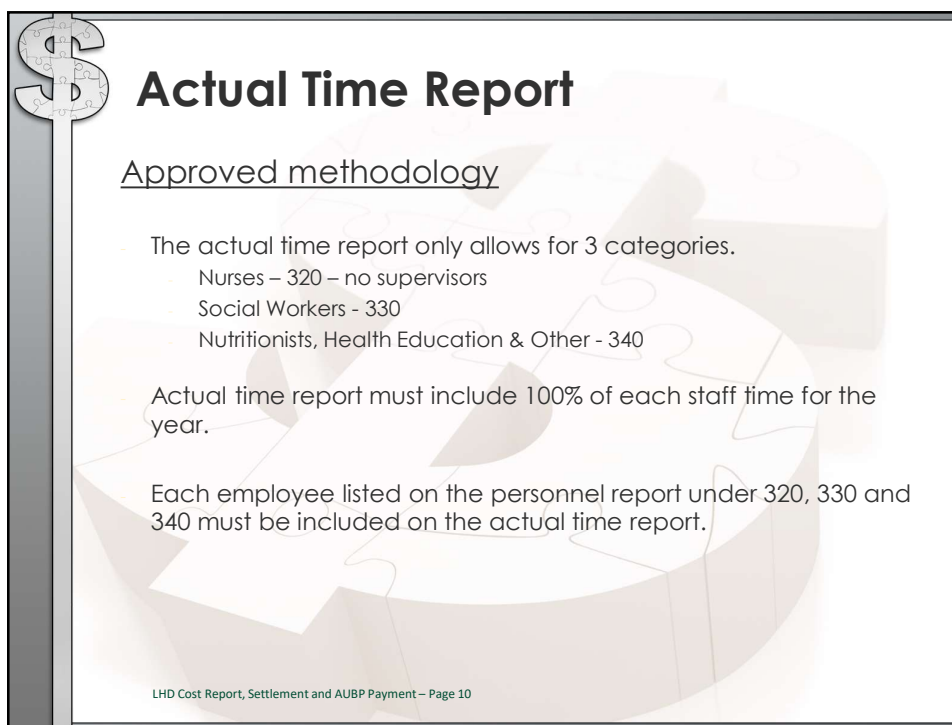


## \$ Rough Calculation of RCC & AUBP Cont.

- AUBP Calculation
  - Charges X RCC – Payment
    - 84,690 X 1.22 – 63,911 = **39,474.89**
    - Apply FFP .67
    - Total Due = 26,377.65
    - Non Federal Share 13,137.24 (3,284.31 Quarterly)
- Settlement Anticipated
  - SFY 2018 Settlement = 400,802.00
  - Dental Share = 342,719.14
  - Expected FP & Presumptive Eligibility = 19,093.45
  - Anticipated AUBP = **38,989.41**
    - Total Charge Basis = \$827,302.00

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## \$ Actual Time Report

### Approved methodology

- The actual time report only allows for 3 categories.
  - Nurses – 320 – no supervisors
  - Social Workers - 330
  - Nutritionists, Health Education & Other - 340
- Actual time report must include 100% of each staff time for the year.

Each employee listed on the personnel report under 320, 330 and 340 must be included on the actual time report.

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## Fee Setting Based on Cost Finding

### Determining a Charge Schedule

Each cost reporting year, we will provide a report that will allow each health department to calculate their cost per service and establish fees based on cost.

Local Health Department	
Cost Report Summary Outcome	
SFY 2018	
	2018
Total Cost and Overhead Review	
Total Cost	784,950,196.26
Administrative Cost	79,798,517.37
% Administrative Cost	10.17%
Clinical Administrative Cost	75,122,801.72
% Clinical Administrative Cost	9.57%

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Thank you

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