



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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Dear Medicaid Coordinator

Beginning with FY07, reimbursement by the Department of Medical Assistance Services (DMAS) to school division providers has been based on costs determined through a cost report. During the cost settlement of these reports, when DMAS determined that school divisions did not comply with requirements to bill for medical services, adjustments were made for that non-billing of services by disallowing the costs of non-billing practitioners. DMAS wants to emphasize again how important it is for the Medicaid coordinator or other school personnel to monitor the billing of services so that all services are billed and no costs are disallowed.

The cost report instructions give guidance on removing costs for non-billing practitioners. Additional guidance for this was provided in an October 30, 2008 letter to Medicaid coordinators. It has proven difficult, however, for many school divisions to fully comply with these instructions or for DMAS and its contractor Clifton Gunderson to appropriately disallow costs for unbilled services. As a result, DMAS plans to implement an alternative in FY11 (the 2010-2011 school year). A school division may also use this alternative when it submits the FY10 cost report this coming November. If Clifton Gunderson identifies a school division for additional review during the cost settlements of FY09 and FY10 cost reports, DMAS will recommend that school divisions follow this new process. Rather than track the billing of services by practitioner, the alternative will track the billing of services by students. The alternative process will be described in more detail below. Note that this applies only to medical services. The cost reporting process for transportation services does not have similar problems and school divisions should continue to follow the current guidance for the transportation cost report.

The problem with the non-billing of medical services begins with lack of monitoring. In order to monitor services effectively, the Medicaid coordinator needs to determine at the beginning of the year which DMAS eligible students have DMAS covered services in their IEP. In addition, the Medicaid Coordinator should determine the frequency and duration for each service in the IEP so that the expected number of services can be determined. Over the course of the school year, the Medicaid coordinator is then able to monitor actual services delivered and bill for all services. If the actual services rendered diverge significantly from the expected services, the coordinator can follow up with the practitioner to determine the reason and intervene if necessary. Coordinators may find the attached chart helpful in monitoring the billing of services for therapy. Similar charts should be used for other services.

If services are not billed, however, DMAS must make an adjustment for the non-billing of services. In lieu of the current process, the alternative cost reporting process consists of three changes.

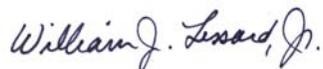
- 1) Calculate a percentage of services billed by dividing the total number of services billed by the total number of services furnished. This is a new step. As a result of this step, adjustments need to be made to two of the current steps.
- 2) Currently, schools are instructed to exclude the cost of practitioners who do not bill. The new instructions will be to include non-federal personnel costs on the cost report for all DMAS qualified practitioners. It will no longer be necessary to delete practitioners who do not bill.
- 3) Schools are instructed to calculate an eligibility percentage by dividing the number of DMAS eligible students with an IEP by the total number of students with an IEP. Currently, the instructions are to exclude from the numerator any DMAS eligible student who does not have parental consent. The new instructions will be to calculate the eligibility percentage using all DMAS eligible students regardless of parental consent. It will no longer be necessary to exclude students without parental consent because you will only bill for services for which you have parental consent.

The new step will calculate one overall statistic to determine allowable costs based on the billing of services. If a school division is monitoring the billing of services as recommended above, they will be able to calculate this percentage very easily at the end of the year. If a school division is not monitoring and tracking the billing of services, a school division can self-audit a random sample of DMAS eligible students with IEPs to calculate a percentage of services billed. The final sample must include at least 50 DMAS eligible students with DMAS covered services in their IEP. School divisions with less than 50 DMAS eligible students with DMAS covered services in their IEP must audit all DMAS eligible students with DMAS covered services in their IEP. Attachment A includes further instructions for the self audit.

As a reminder, the DMAS contractor Clifton Gunderson is currently reviewing the FY09 cost reports. Prior to completing its review, DMAS updated its report on FY09 services using claims through March 31, 2010 and the updated report will be used in the final settlement. As it did last year, Clifton Gunderson will use this information to identify cost reports for additional scrutiny if the information raises questions that schools may not have adequately disallowed costs for the non-billing of services.

If you have any questions, please contact John Jurgens at DMAS at (804) 371-2446 or [john.jurgens@dmass.virginia.gov](mailto:john.jurgens@dmass.virginia.gov) or Anne Morrow at Clifton Gunderson at (804) 270-2200 or [anne.morrow@cliftoncpa.com](mailto:anne.morrow@cliftoncpa.com).

Sincerely,



William J. Lessard, Jr., Director  
Provider Reimbursement Division

Attachments

Attachment A

**School Based Direct Services Cost Reports**

**Self Audit Procedures to Calculate Percentage of Services Billed**

1. Select a random sample of DMAS students with DMAS covered medical services in the IEP.

The universe to be sampled would be the Medicaid, Medicaid Expansion and FAMIS students with a DMAS covered medical service. If you do not know which Medicaid, Medicaid Expansion and FAMIS students have DMAS covered medical services in the IEP, you must identify all of these students first or take an initial sample of all DMAS students with IEPs. This would be the same students used in the numerator from the eligibility percentages based on the December 1 child count. You must have at least 50 DMAS eligible students with DMAS covered medical services in their IEP in your final sample. School divisions with less than 50 DMAS eligible students with DMAS covered services in their IEP must audit all DMAS eligible students with DMAS covered services in their IEP.

In order to insure random selection, you must follow a method similar to the one described below. Create a list of students in either alpha order by name or numeric order by school ID number or Medicaid ID number and then randomly select the first item between one and “N” (N is determined by dividing the universe by 50), and then every N<sup>th</sup> item after that until all 50 selections have been made. School divisions must maintain documentation so that DMAS can verify that the sampling process was random.

Example of the random sample selection method: 1329 Medicaid etc. students are in the numerator of the eligibility percentage calculation. 1329 divided by 50 gives you an “N” of 26 (whole number), so you randomly select a beginning selection of say item number 17 (between 1 and 26), so the next selections would increase by 26 each time: item 17, item 43, 69, 95, 121, 147...

2. From each of the 50 student's IEP files please list the following items (attributes):
  - a. The number and type of services delivered during the year.
  - b. The number and type of services billed to DMAS during the year.
3. Total all services billed and all services delivered and divide the number of services billed by the number of services delivered. Report this ratio to DMAS and Clifton Gunderson.

DMAS will verify services billed using its claims data.