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Local Collaborative Time Study (LCTS) Report

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As has been the case quite frequently with the time study lately, the federal government is again providing some obstacles for the State of Minnesota to consider regarding our participation. The most recent challenge has come about because the federal Office of Inspector General (OIG) recently published its final audit report on Minnesota's Medical Assistance (MA) school-based administrative claiming.

This whole situation may jog your memory because it marked the start of the large reductions in our LCTS earnings when the time study financial reports for state fiscal year 2004 were audited last year. (This is the period of July 1, 2003 – June 30, 2004.) The audit revealed that the formula used for calculating MA time study reimbursements was not in compliance with federal guidelines. The reason for the disallowance was the MA eligibility ratio—it discounts reimbursable activity to only the Medicaid-eligible portion. The OIG stated that the ratios used by Minnesota consisted of both children and adults, as opposed to children only. Upon discovering this problem, the State of Minnesota immediately revised its formula to be in compliance with the federal guidelines.

During this initial audit, the OIG looked only at the top 60 school districts' cost pool reports. Based on the results of these 60 cost reports, the OIG is recommending to CMS (Centers for Medicare & Medicaid Services) that Minnesota pay back \$9.7 million that has already been collected through LCTS payments. They are also recommending recalculation of the remainder of participating school districts and corrections & public health agencies for the same time period and that Minnesota repay that difference as well. There were also two other items mentioned in the report, however these items were minor and off set each other, and resulted in no additional disallowance.

Currently, DHS is waiting to see whether or not CMS agrees with the OIG's audit findings; and in a nutshell, this is where MN is at – the state is doing nothing until CMS responds to the audit report. To read the OIG's final report and Minnesota's response in their entirety, see the following website. <http://oig.hhs.gov> - reports - office of audit services - CMS - scroll down to Sept. 12, 2006.

The "old" philosophy of the feds was to encourage states to try new things—they were supportive of state's efforts to be creative in revenue enhancement strategies so they could invest those dollars in prevention and early intervention. The current fiscal philosophy is completely opposite—they no longer want to pay for administrative reimbursement in certain areas.

DHS is confident that Minnesota is currently in full compliance with MA & Title IV-E requirements, and that LCTS earnings should remain stable. However, there is talk at the federal level of discontinuing states' ability to claim MA school-based admin dollars altogether. DHS will communicate any news about these later discussions to us as they become available.

Despite these and other recent challenges, only three collaboratives have opted out of the time study. All others are remaining and continue to "weather the storm." Likewise, at this time it would not make sense for Clay County to consider backing out. However, any additional information or developments with regard to opting out of the time study will be monitored and relayed back to the Collaborative partners.