



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | June St. Clair Atkinson, Ed.D., *State Superintendent*

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August 7, 2015

TO: Directors, Exceptional Children Programs
Lead Administrators, Charter Schools
Finance Officers, LEAs/Charter Schools

FROM: William J. Hussey, Director 
Exceptional Children Division

RE: Medicaid Fee-for-Service Reimbursement Allocations

This memorandum is intended to provide further rationale and clarification for the July 10, 2015, memorandum sent to Superintendents, Finance Officers and Exceptional Children Program Directors from State Superintendent Dr. June Atkinson regarding allocation of Medicaid fee-for-service (FFS) reimbursements to Exceptional Children programs for students with disabilities (memorandum attached). The July 10 memorandum was part of NCDPI's corrective action following the NC Office of State Auditor (OSA) financial related audit of one NC LEA's Medicaid program. The official public report of the audit, which includes NCDPI's response, is also attached.

The purpose of the OSA audit was to ensure Medicaid reimbursements were used for Exceptional Children (EC) programs and services. The audit focused primarily on Medicaid Administrative Claiming (MAC) and revealed:

- the LEA used Medicaid funds for expenditures outside of programs for students with disabilities;
- the LEA did not fully access all potential Medicaid dollars allowable during the audit period; and
- the interagency agreement between NCDPI and NC Division of Medical Assistance regarding MAC reimbursements is not currently clear enough to monitor or enforce.

Initial drafts of OSA's report included a recommendation that NCDPI require all LEAs to use all MAC reimbursements solely for EC programs. NCDPI leadership strongly advocated for an adjustment to that recommendation, because, while some LEA employees providing administrative outreach services are service providers in EC programs, many (such as social workers, school nurses, school administrators, and school psychologists) are not funded through EC program budgets. As such, LEA administrative outreach expenditures are distributed across LEA programs/budget lines. It is appropriate that reimbursements are distributed in the same manner. NCDPI leadership is recommending that MAC reimbursements should be appropriately allocated to provide additional public funding for outreach services for all Medicaid eligible students, not just those students with disabilities.

However, NCDPI agrees with OSA in regard to the FFS reimbursements, given those expenditures derive almost exclusively from EC program budgets. The July 10 Dr. June Atkinson memorandum formalized the requirement that LEAs use FFS reimbursements for EC programs and services.

Based on LEA questions since the July 10 memorandum, a few points of clarification are provided below:

EXCEPTIONAL CHILDREN DIVISION

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- 1) No separate/additional LEA reporting to NCDPI will be required regarding this requirement; NCDPI will review FFS reimbursements and allocations as part of the regularly scheduled EC fiscal monitoring procedures. However, it is important to note that existing federal rules will apply, such as:
 - The Tiding Amendment, meaning funds must be obligated and expended within 27 months beginning when the LEA receives the funds or the funds revert;
 - LIFO (last in first out), meaning the oldest funds available should be the first funds obligated/expended in the next fiscal year; and
 - Equipment purchased with federal funds:
 - LEAs must have Policies and Procedures on how federal funds will be used to purchase equipment;
 - A physical inventory of the equipment must occur at least every 2 years; and
 - An Equipment Disposition form must be completed when the equipment is no longer needed or no longer in working condition.
- 2) FFS reimbursements include both:
 - a. Direct reimbursements for individual service claims an LEA receives on an ongoing basis throughout the school year; and
 - b. Quarterly and annual cost report settlement payments, given these are reconciliations of the LEA FFS expenditures.
- 3) FFS reimbursements can be used for any EC program, service, equipment, material, supply, or initiative except salaries for staff who provide services and submit data for FFS claims.

NOTE: Certain therapy equipment may be included on the Medicaid LEA cost report; equipment purchased using FFS reimbursement cannot be claimed on the cost report.

Questions regarding the FFS allocation requirement may be directed to DPI Medicaid Consultants or Tracy Riddle at:

Tracy Riddle - tracy.riddle@dpi.nc.gov or (919) 807-3948

Lauren Holahan - lauren_holahan@med.unc.edu or (919) 428-7201

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