

UNIFORM DEFINITIONS, STANDARDS & INSTRUCTIONS FOR ADMINISTRATIVE COSTS FOR COORDINATING AGENCIES & AREA AGENCIES ON AGING

(FY2011 Appropriation Bill - Public Act 187 of 2010)

May 15, 2011

Section 282: (1) The department, through its organizational units responsible for departmental administration, operation, and finance, shall establish uniform definitions, standards, and instructions for the classification, allocation, assignment, calculation, recording, and reporting of administrative costs by the following entities:

(a) Coordinating agencies on substance abuse, and the Salvation Army harbor light program that receive payment or reimbursement from funds appropriated under section 104.

(b) Area agencies on aging and local providers that receive payment or reimbursement from funds appropriated under section 117.

(2) By May 15 of the current fiscal year, the department shall provide a written draft of its proposed definitions, standards, and instructions to the house of representatives and senate appropriations subcommittees on community health, the house and senate fiscal agencies, and the state budget director.

*Michigan Department
of Community Health*



Rick Snyder, Governor
Olga Dazzo, Director

**MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
BUREAU OF SUBSTANCE ABUSE AND ADDICTION SERVICES
AND
AREA AGENCIES ON AGING
APPROPRIATION ACT SECTION 282(2) REPORT**

Bureau of Substance Abuse and Addiction Services

The Bureau of Substance Abuse and Addiction Services (BSAAS) established uniform definitions, standards and instructions regarding administrative costs for substance abuse coordinating agencies effective with the start of fiscal year 2006. These were developed by a work group consisting of coordinating agency (CA) and department staff. Two major considerations were: to maintain compliance with the federal Substance Abuse Prevention and Treatment Block Grant requirements concerning administrative expenditures, and to become functionally consistent with the department's requirements for mental health agencies.

Late in 2008, BSAAS received notice from the federal Center for Substance Abuse Treatment, the agency that administers the block grant, that CA administrative costs need not be counted against the block grant's 5% cap on annual spending for administration.

BSAAS has not established administrative definitions or standards specifically applicable to subcontractors. Most subcontractors are on purchase of service, fixed-rate contracts, and the bulk of state and federal funds administered by CAs are spent on such contracts. Procurement is based largely on unit costs, quality, and performance, and not on subcontractor administration costs or practices.

Requirements for reporting administrative costs are contained in the annual agreement between Michigan Department of Community Health (MDCH)/BSAAS and the CAs. Those requirements are in the following documents: 1) *Attachment 1, Financial Reporting Requirements*, and 2) *Attachment 2, Establishing Administrative Costs Within and Across the Coordinating Agency System*. The requirements include instructions for reporting administrative costs, including Access Management System costs, along with the reporting form. These documents are attached to this report.

Salvation Army Harbor Light does not charge administrative costs to their annual agreement with MDCH/BSAAS.

BSAAS recommends continuing these requirements at this time.

Area Agencies on Aging

Uniform definitions and instructions for the classification, allocation, assignment, calculation, recording and reporting of administrative costs by area agencies on aging are in Attachment 3.

**Michigan Department of Community Health
Financial Reporting Requirements
Fiscal Year (FY) 2010**

The reporting of revenues and expenditures will be accomplished via two avenues. For revenues and expenditures: an initial and a final Revenues and Expenditures Report (RER). For expenditures only: quarterly and final Financial Status Reports (FSRs). See Attachment D-FSR Instructions.

1. REPORTING REVENUES AND EXPENDITURES

Revenues and Expenditures Report

The main purposes and applications of the RER include the following:

- Display revenue sources and expected amounts, and how these are budgeted at the start of a fiscal year;
- Enable management and monitoring of federal and state spending requirements; and
- Enable reconciliation of prepayments and expenditures on an annual basis.

The initial RER and the final RER will be used to provide a standardized format for reporting the financial status of individual programs. All actual expenditures and revenues (including Medicaid, Adult Benefits Waiver [ABW], MI Child, Local, Fees and Collections, and Other Contracts and Sources) for the particular program are reported on the final RER.

The initial RER and final RER are 'Attachment' reports in EGrAMS. The agency will be responsible for assuring that its budgets and expenditures, as reported on the RER detail pages, correctly total to the RER Composite Page.

Reporting of revenues and expenditures must be consistent with Generally Accepted Accounting Principles (GAAP).

All amounts entered on the RERs must be whole dollars.

2. ADMINISTRATIVE BUDGETS AND EXPENDITURES

Agency budgets and expenditures for Administration must be reasonable, prudent, and commensurate with meeting the requirements of this agreement, consistent with 2 CFR Part 225 (previously OMB Circular A-87) or 2 CFR Part 230 (previously OMB Circular A-122), as applicable.

The agency's Access Management System (AMS) is considered an administrative operation, and cannot be a direct service operation. To assure accurate classification of AMS expenditures, and in the interest of reporting consistency, AMS expenditures must be reported separately on the final RER, on page 3, in the indicated column.

All of the agency's administrative costs must be entered in the General Administration or the Access Management System column on page 3 of the RER. This includes costs for all CA personnel (Prevention Coordinators, Treatment Coordinators, etc.), information and data systems, financial audits, and other administrative costs.

For FY 2010, agencies that do not have formal budget flexibility near the close of the fiscal year may request a waiver of the requirements stated in the above two paragraphs (separate AMS reporting and reporting of administrative costs) via a written request the agency's contract manager. The statement must include administrative costs not reported as Administration and the amounts of each.

The agency must enter the dollar amount of General Administration expenditures that is attributable to the costs of administering treatment services on the RER, page 3, in the section at the lower portion of the page, labeled "SUD Treatment Administration." Any generally accepted method may be used to determine this amount. This information is needed to meet reporting requirements for the SAPT Block Grant.

If the Administration budget contains a central cost allocation amount or rate, this allocation must have been developed consistent with 2 CFR Part 225 (OMB Circular A-87, Attachment C). Payments are subject to recovery, based on audit findings.

When there is a central cost allocation, the agency must also submit via EGrAMS, on agency letterhead, a Certificate of Cost Allocation Plan whenever a central cost allocation is introduced or is revised, or every two years, whichever is sooner. This Certificate of Cost Allocation Plan form is available electronically (in WORD) from the MDCH contract manager **or** use the format shown below:

MDCH REVENUES AND EXPENDITURES REPORT

Contractor Name:		Agreement Period				Contract #:		2010-											
Address:		From:10.01.09		To:09.30.10		Submission Type:		<input type="checkbox"/> Initial <input checked="" type="checkbox"/> Final											
EXPENDITURE DETAIL	General Administration		Access Management System		Treatment		Prevention		Women's Specialty										
Funds Source	Planned	Final	Planned	Final	Planned	Final	Planned	Final	Planned	Final									
A. State Agreement																			
1. Community Grant	\$0	\$0	\$0	\$0	\$0	\$0			\$0	\$0									
2. Prevention	\$0	\$0					\$0	\$0											
3. Communicable Diseases	\$0	\$0																	
4. State Disability Assistance					\$0	\$0			\$0	\$0									
5. SPF/SIG	\$0	\$0																	
6. FASD Award																			
7. Problem Gambling Prevention/Treatment	\$0	\$0																	
8. Integrated Tx-MH Block Grant (100%)																			
9. Integrated Tx-SAPT Block Grant(100%)	\$0	\$0																	
10. NASPER Grant	\$0	\$0																	
A. Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
B. Medicaid																			
1. Current Year PEPM (Federal & State)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0											
2. Federal share only for Women's Specialty									\$0	\$0									
3. State share only for Women's Specialty									\$0	\$0									
4. Reinvestment Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
B. Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
C. ABW Current Year PEPM--Federal Share Only (Oct-April)																			
	\$0	\$0	\$0	\$0															
C.1. ABW Gross-Federal & State (May-Sept)	\$0	\$0	\$0	\$0															
D. MICHild Current Year PEPM (Subtotal)																			
	\$0	\$0	\$0	\$0															
E. LOCAL																			
1. Current Year PA2					\$0	\$0	\$0	\$0	\$0	\$0									
2. PA2 Fund Balance					\$0	\$0	\$0	\$0	\$0	\$0									
3. Other Local	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
E. Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
F. Fees & Collections (Subtotal)																			
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
G. Other Contracts & Sources (Subtotal)																			
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
Grand Total of Subtotals A-G	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
SUD Treatment Administration																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Amount of General Administration Expenses (from RER/Row A.1/Col. C) Attributed to SUD Treatment (Column 1)</th> <th style="width: 33%;">AMS Expenses (Total from RER/Row A.1/Col. E) (Column 2)</th> <th style="width: 33%;">Grand Total Treatment Share of General Admin & AMS Expenses (Column 3) (Col. 1 + Col. 2)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Final Expenditures</td> <td style="text-align: center;">Final Expenditures</td> <td style="text-align: center;">Total Final Expenditures</td> </tr> <tr> <td style="text-align: center;">\$0</td> <td style="text-align: center;">\$0</td> <td style="text-align: center;">\$0</td> </tr> </tbody> </table>											Amount of General Administration Expenses (from RER/Row A.1/Col. C) Attributed to SUD Treatment (Column 1)	AMS Expenses (Total from RER/Row A.1/Col. E) (Column 2)	Grand Total Treatment Share of General Admin & AMS Expenses (Column 3) (Col. 1 + Col. 2)	Final Expenditures	Final Expenditures	Total Final Expenditures	\$0	\$0	\$0
Amount of General Administration Expenses (from RER/Row A.1/Col. C) Attributed to SUD Treatment (Column 1)	AMS Expenses (Total from RER/Row A.1/Col. E) (Column 2)	Grand Total Treatment Share of General Admin & AMS Expenses (Column 3) (Col. 1 + Col. 2)																	
Final Expenditures	Final Expenditures	Total Final Expenditures																	
\$0	\$0	\$0																	

**MICHIGAN DEPARTMENT OF COMMUNITY HEALTH
MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES
ADMINISTRATION**

**Establishing Administrative Costs Within and Across the
Coordinating Agency (CA) System**

December 2010
Updated May 2011

Table of Contents

	Page No.
I. Introduction and Overview	3
II. Reporting Premise and Principles	3
III. Reporting and Models of CA-Provider Relationship	4
IV. Administrative Functions	4
A. General Management	4
B. Financial Management	5
C. Information Systems Management.....	5
D. Provider Network Management.....	7
E. Utilization Management.....	8
F. Customer Services.....	9
G. Quality Management	10

I. Introduction and Overview

Requirements for reporting coordinating agency (CA) administrative costs are revised based on the findings and recommendations of a 2010 workgroup consisting of CA and state staff. Revisions focused most heavily on several considerations:

- Reporting must be made consistent with federal and state requirements and with updated interpretations of requirements (such as the clarification that Substance Abuse Prevention and Treatment (SAPT) Block Grant cap on spending for administration being applicable only to the state agency).
- Consistency of cost reporting should be improved, with CAs including and excluding the same cost items. For example, all CAs should include prevention coordinator costs as administration.
- Improved consistency of reporting will lead to increased fairness and accountability with respect to administrative costs and comparing costs.
- CAs are prohibited by Administrative Rule (R 325.14213) from providing direct services. So, by implication, CA costs are all administrative. However, CAs, as a group, devote considerable resources to developing, creating, and coordinating regional services. They also work at increasing regional support, both material and moral, for substance use disorder (SUD) services and for persons with SUDs, and for reducing the costs of SUDs to the communities. While these are nominally administrative costs, CA will have the opportunity to report them as a sub-category of administration called "Service Coordination."

II. Reporting Premise and Principles

The following premises and principles guide CA efforts to identify administration costs:

- CA administrative cost reporting is required to be consistent with A-87 principles recognizing that there are various methods by which A-87 compliance may be achieved.
- All organizations have administrative functions (and costs) irrespective of their status as a CA or direct service provider. These functions include: General Management, Financial Management, Information Systems, Provider Network Management, Utilization Management, Customer Services, and Quality Management.
- The methods by which administrative costs are allocated vary by organization.
- Differences in administrative costs are expected in that the CA organizational status varies; Michigan Department of Community Health (MDCH) reporting formats are intended to capture and account for these differences.

- Some CAs are also Community Mental Health Services Programs/Prepaid Inpatient Health Plans (CMHSPs/PIHPs) and as such have some costs that are unique to this status.

As such, the intent of administrative reporting requirements is to:

- Provide greater transparency of administrative costs using definitions that are common to health care organizations.
- Provide comparable administrative cost information by fund sources other than Medicaid specialty services.

III. Reporting and Models of CA-Provider Relationship

It is important to remember that if the activity is reportable as a service (i.e., there is an appropriate procedure code, as defined and included in the “*Substance Abuse Encounter Reporting: HCPCS and Revenue Codes*” document revised August 2010 from the SUD Services Policy Manual), then the cost for that activity is not an administrative cost.

IV. Administrative Functions

The following seven (7) core functions have been identified as administration. The costs of these functions must be reported by CA, regardless of who carries them out. The terminology used below may not correspond with that used in individual CAs; further, some CAs may consider components or sub-components identified within these categories to belong under a different category/function.

If activity can be reported as an encounter, then the cost is excluded from administration costs – this is particularly relevant for access activities.

It is also assumed that overhead expenses; such as, rent, travel, supplies, insurance, etc are allocated in accordance with A-87. That is to say where such costs can be attributed to a direct service activity, it is included as overhead with that activity (i.e., as a cost attached to the service encounter). The administration costs would include its share of such expenses.

A. GENERAL MANAGEMENT

General management consists of functions which do not fit elsewhere. Many of these are executive or leadership functions, including:

- The chief executive officer (CEO) of the CA.
- The chief operating officer (COO), or equivalent staff position reporting to the CEO.
- The CA director.
- The medical director.

- Human resources office staff.

Other general management activities and costs include:

- Activities to organize an affiliation governance structure and management structure.
- Administrative support to executive office.
- Legal support.
- CA Board of Directors' costs.
- Memberships and dues.
- Management and technical consultants provided general assistance to the Managed Care Entity. If the consultant's activities are directed at one of the other administrative functions, the cost should be included with that function.

B. FINANCIAL MANAGEMENT

Financial management consists of: 1) the processes for managing revenues and expenditures in order to provide accountability to management and funders; 2) maximizing financial resources; and 3) maintain fiscal integrity. Financial management is also a key function of an effective CA as a service provider. Critical components of financial management include:

- Budgeting, general accounting (accounts receivable, accounts payable, etc.), and financial reporting;
- Revenue analysis.
- Expense monitoring and management.
- Service unit and consumer-centered cost analyses and rate-setting.
- Risk analysis, risk modeling, and underwriting.
- Insurance and re-insurance, management of risk pools.
- Purchasing, administrative contracts, and inventory management.
- Supervision of audit and financial consulting relationships.
- Claims adjudication and payment.
- Audits.

C. INFORMATION SYSTEMS MANAGEMENT

Information systems (IS) include processes designed to support management, administrative and clinical decisions with the provision of data and information and to support the accountability and information requirements of funders, regulatory bodies, consumers and communities.

Components include hardware, software, specific applications and their integration, network configuration and connectivity. Telecommunications equipment, software, and management are often included.

Information Technology (IT) refers to the hardware and connectivity - including individual workstations, laptops, servers, routers, and management of IS networks. Managing security requirements for access to the network is also included in IT. Information systems also include the development and running of electronic health records.

Information systems within the CA system usually fall into two (2) categories: "General Management" and "Service Support and Coordination."

General Management: Information systems general management functions are those which support all other administrative functions.

Service Support and Coordination: Information systems management functions support the direct provision of services and supports, including electronic health records (development and operating).

Information systems costs and cost allocations are handled in a variety of ways across the CAs. As such, there may not a consistent way to ascribe costs within general management vs. service support and coordination.

The following are examples of CA^{HSP} general management IS activities/costs:

- Hardware, software and other devices for collection, storage, retrieval and reporting to the state which include demographic, service encounter, and performance indicators.
- Capacity to collect, verify, store and analyze fund source eligibility information.
- The system for authorizing services to provider agencies.
- The system of enrolling both network organizations and professionals into the software for credentialing and claims payment purposes.
- The system for managing and processing claims for services across the provider network.
- The system for processing payment to service providers.
- Systems to collect, analyze, and act on data regarding the quality of services.
- Confidentiality and security sub-systems intended to protect integrity of data.
- Collecting information necessary to demonstrate compliance with the contract or with performance standards.
- MDCH reporting requirements, including the costs of reporting demographic, encounter, cost and performance indicators to MDCH by the CA. Administrative costs in performing reporting requirements may also include the costs associated with data validation and correction.

D. PROVIDER NETWORK MANAGEMENT

Provider network management encompasses activities directed at ensuring that qualified providers in sufficient number and variety are available to permit meaningful consumer choice and that the provider network is in compliance with regulatory requirements and the performance expectations of the CA. Providers include both organizations and individual professional practitioners providing clinical services or paraprofessionals providing supports to consumers. Although most providers are part of the provider panel, Provider network management activities may include off-panel provider management as well. All organizations and practitioners providing specialty supports and services to consumers are considered part of the network.

Provider network management consists of the following components:

- **Network Development** - This is the process of identifying consumer services and supports needs and procuring sufficient providers to meet those needs. Activities include: 1) needs assessment; 2) analysis of current network capacity to meet projected need and development of a “gap assessment” which identifies procurement needs; 3) procurement of providers; and 4) development of agreements with alternative payors or related agencies with a goal of coordinating care, such as with Department of Human Services (DHS), Michigan Rehabilitation Services (MRS), nursing homes, and schools.
- **Contract Management** - Activities include: 1) development of provider contract language; 2) negotiation of contracts; 3) monitoring providers for compliance with all aspects of the contract (NOTE – audits of providers’ performance included under quality management); 4) conducting reviews for evidence of abuse and/or fraud; 5) sanctioning providers through plans of compliance or other means; 6) training network providers concerning performance expectations; and 7) managing contracts for consumer services with non–panel providers.
- **Network Policy Development** - This includes development of standards for participation in the provider panel. Operating and performance expectations are also included through this policy development function.
- **Credentialing, Privileging and Primary Source Verification** - These functions may be part of Provider network management although frequently carried out by staff participating in Quality Management (QM) or Utilization Management functions. These functions are carried out at both service delivery and administrative levels. The CA must, at

least, verify the credentialing done at the service delivery level (direct run and contracted practitioners, contracted provider staff).

E. UTILIZATION MANAGEMENT

Utilization management (UM) is a set of administrative functions that pertain to the assurance of appropriate clinical service delivery. Through the application of written policies and procedures, UM is designed to ensure: 1) that only eligible beneficiaries receive plan benefits; 2) that all eligible beneficiaries receive all medically necessary plan benefits required to meet their needs; and 3) that beneficiaries are linked to other services when necessary.

Utilization management consists of the following components:

- **Access And Eligibility Determination** - This functional component includes both screening for clinical eligibility and financial eligibility determination

Activities include: 1) development of access and eligibility policy and procedures; 2) initial contact with potential consumers (when not reported as an encounter); 3) initial screening (when not reported as an encounter); 4) collection of consumer-specific information; 5) verification of funding sources including determination of public funding status and first and third part liability; and 6) service referral, setting up first appointment if determined eligible.

- **Utilization Management Protocols** - This component is the development and monitoring of clinical and authorization protocols to be used for determining level of care (LOC) and service selection process. This includes protocols for: 1) determination of medical necessity, 2) LOC assessments; 3) service intensity or selection criteria; 4) Continuing Stay review; and 5) services requiring specialist review, best practice guidelines.
- **Authorization** - This component is the process of linking LOC and service selection processes to payment processes.
- **Utilization Review** - It should be noted that there may be overlap between UM and Utilization Review (UR). This component provides review/monitoring of individual consumer records, specific provider practices and system trends. Review of activities of the provider network is included. It may include: 1) review and monitoring to determine appropriate application of guidelines and criteria (LOC, service selection, authorization, best practice); 2) consumer outcomes; 3) over-utilization/under utilization; 4) review of outliers; 5) development of procedures for system-level data review; 6) policy and

procedures regarding use of review documents; and 7) documentation and monitoring of UM/UR activities.

F. CUSTOMER SERVICES

The customer services function encompasses activities directed at the entire population of the CA's service area, including all services and supports to consumers. Some CAs have centralized these functions. Virtually all service providers provide customer services functions, as a part of the service delivery process, which should not be included in the cost of administrative functions.

It should be noted that some CAs have begun using certified peers to provide customer services. As such, when providing that activity, the peer costs should be included as an administrative cost.

Customer services consist of the following components:

- **Information Services** - This component includes activities directed to the general population of the service area as well as to consumers of treatment and support services. This component includes:
 - General orientation to CA services (community meetings, informational brochures).
 - Consumer handbook.
 - Operation of a telephone line and web site(s) in order to provide information about benefit plans and to respond to general inquiries.
 - Outreach activities to identify and establish communication with under-served groups.
- **Consumer Empowerment and Participation in CA Planning and Monitoring Activities** - This component includes:
 - Development of policy and implementation of activities designed to engage consumers, and other stakeholders, including members of the general public, in decision-oriented activities throughout the organization, including its provider network.
 - Training and orientation of stakeholders, especially consumers, to participate actively in advisory groups, task forces, working committees and other management related groups.
- **Customer Complaint, Grievance and Appeals Processes** - Both formal and informal grievance and appeal mechanisms are coordinated as part of the customer services function. This component includes:

- Investigation and management of informal issues and grievances (Customer Services).
 - Investigation and management of all formal grievances, appeals, and complaints, including local dispute resolution (Due Process, Recipient Rights).
 - Administrative Fair Hearings conducted by MDCH.
 - Formal tracking and coordination of complaint management processes, across the entire network.
- **Community Benefit** - This component consists of activities directed at the population of the entire service area, or sub-groups of that population, rather than at identified individuals. It includes:
 - Community collaborative activities. It focuses on activities designed to promote wellness and healthy communities as well as coordinated human services delivery systems of care.
 - Provision of specialized educational and informational services to at-risk groups.
 - Community emergency and group trauma services.
 - Partnership arrangements with community organizations to provide a specialty health service perspective on issues of concern to the general population or sub-groups served by the organization.
 - Outreach activities and screening of the general population, or identified sub-groups, for health conditions such as depression, eating disorders, etc.
 - Cross training of, and specialized consultation with, school, jail, police, fire, church and other service personnel.
 - Participation in community planning bodies, including the Human Services Coordinating Council, Indian Health Centers and other groups.
 - Jail diversion.
 - System of care initiatives.

G. Quality Management

The quality management (QM) function encompasses activities directed at ensuring that 1) standards for staff, program and management performance exist; 2) compliance with them is assessed and 3) ongoing improvements are introduced, monitored and assessed with respect to their outcomes.

Virtually all service provider organizations have QM programs. Some components of these QM activities are mandated for providers (such as regulatory management or corporate compliance, and accreditation). Unless specifically delegated by the CA or operated in the CA interests,

these activities of provider organizations should not be identified as administrative functions or included in the costs.

Some of the components identified below may reside in some CAs in UM.

Quality management consists of the following components:

- **Standard Setting** - This component includes review, analysis and recommendations concerning standards and measurement methodologies in the following areas essential to a continuous, quality improvement orientation:
 - Choice of accrediting body.
 - Best practice guidelines.
 - Assessment tools.
 - Performance expectations for both clinical and management programs.
- **Conducting Performance Assessments** - This component includes both routine, periodic performance assessment and specially designed evaluation activities. Performance assessments and evaluations, as used here, are generally analyses of data submitted as part of regular management information requirements or as part of a special study. The results of both periodic and special performance assessments are provided to the CA's leadership team on a regular basis as part of the management decision-making process. Results of selected periodic assessments are made available to consumers and the community.
- **Regulatory Management/Corporate Compliance** - This component includes review of performance and clinical source documents and summary data conducted, or overseen, by CA staff for compliance with regulations of outside bodies, including the State of Michigan, the Center for Medicare and Medicaid Services (CMS), and other federal regulatory bodies. Activities include:
 - Developing a compliance plan that focuses on regulations dealing with healthcare fraud and abuse.
 - Maintaining current inventory of regulations.
 - Conducting prevention activities.
 - Providing direction to contractors regarding their responsibilities.
 - Taking action when non-compliance issues are revealed.
 - Establishing a compliance-friendly environment.
- **Managing Outside Agency Review Processes** - This component includes ensuring that source material is complete and available for reviews by outside bodies, including:

- Accrediting bodies.
 - MDCH certification reviews and financial audits.
 - External quality review (EQR).
 - Licensing bodies.
 - Non-MDCH payer audits and reviews: CMS, Auditor General, Office of Inspector General (OIG), etc.
-
- **Research** – This component consists of research activities, including management of a research committee.

 - **Quality Process Facilitation** - This component consists of activities aimed at continuous improvement of the processes by which agency and contractor business is conducted. It includes facilitation of activities related to management processes and technical assistance/facilitation of activities in contract agencies.

 - **Provider Education And Training And Quality Management Oversight** - This component includes activities related to ensuring that contractors have and carryout their own quality management plan, as well as ensuring that a quality improvement culture is developed and maintained within all clinical and management arenas.

Area Agencies on Aging Definition of Administrative Costs

Allowable costs, as defined in OMB Circulars A-87 and A-122, are eligible for reimbursement. Allowable costs must then be reported as "Services" or "Administration" as defined below:

1. Services are defined as face-to-face activity with a client.
 - a. Contracts for client services, such as:
 - i. Adult Day Care
 - ii. Legal Services
 - iii. Elder Abuse
 - iv. Long-Term Care Ombudsman/Advocacy
 - v. Meals
 - vi. Training
 - vii. Outreach
 - viii. Case Management
 - b. Provision of the following services directly by the area agency, if authorized by the Office of Services to the Aging, including required waivers:
 - i. Adult Day Care
 - ii. Elder Abuse
 - iii. Long-Term Care Ombudsman Advocacy
 - iv. Meals
 - v. Training for clients – presenting classes and workshops
 - vi. Outreach
 - vii. Transportation, including dispatch-related services
 - viii. Case management, including all or an allocated portion of the immediate supervisor, if applicable
 - c. Applicable allocated overhead
 - i. A portion of the facility occupancy charges (rent, utilities...) if a portion of the facility is dedicated to direct client services – such as the site for Adult Day Care, classrooms, on-site meal programs...
 - ii. Information technology, if it is associated with direct services, such as offering computer classes at your location or maintaining client data bases for the delivery of services
 - iii. Equipment, if it is associated with direct services
 - iv. Supplies, if associated with direct services
2. Administration – all functions and activities that are not "services" as defined above.
 - a. Area Agency on Aging Staff
 - i. Executive Director

- ii. Management and most supervisory staff, may exclude some or all of the food service manager, case management manager and any other first line supervisor
- iii. Human resources staff
- iv. Budget, finance and accounting staff
- v. Ombudsman – except the direct face-to-face time with a client may be considered a direct service.
- vi. Information technology system staff
- b. Miscellaneous expenditures
 - i. Facility occupancy charges (rent, utilities...) if the facility is only used for administrative activities
 - ii. Advisory boards and councils
 - iii. Staff training and conferences related to administrative functions
 - iv. Memberships and subscriptions
 - v. Indirect charges from local units
 - vi. Contracted administrative activities, such as payroll services
- c. Applicable allocated overhead
 - i. Facility occupancy charges (rent, utilities...) if a portion of the facility is used for direct services in addition to administrative activities, otherwise it is 100% administrative
 - ii. Equipment, if a portion of the equipment is used for direct services in addition to administrative activities, otherwise it is 100% administrative
 - iii. Supplies, if a portion of the supplies are used for direct services in addition to administrative activities, otherwise it is 100% administrative

The above are not intended to be an all-inclusive listing of all expenditures, but reflect the major categories that define what should be reported as “administrative costs”. All allocated costs must be allocated using an applicable, quantifiable allocation basis – i.e., occupancy charges should be allocated using square footage, case management supervisor should be allocated based on quantifiable activities of their subordinates.

Most subcontractors and local providers are on purchase of service, fixed rate contracts and the majority of state and federal funds administered by area agencies on aging are spent on such contracts. Procurement is based largely on unit costs, quality, and performance, and not on subcontractor administrative costs or practices. Thus, 100% of these costs would be considered as “Services”.