

Administration Expenditures Report

Introduction: The purpose of this technical requirement is to provide policy direction with regard to CA Administration expenditures and specify annual supplemental expenditure reporting requirements. The information will be used to determine compliance with federal SAPT block grant administration and application requirements as well as to develop a consistent framework for reporting and analysis of administrative costs.

Application: Expenditures of the Coordinating Agency, regardless of revenue source, that are not payments to the treatment or prevention service provider network for treatment or prevention services.

CA administration excludes administrative costs of service providers regardless of service or administrative function. Any provider's indirect (if applicable), overhead and management costs associated with delivering the service must be reported as program expenditures.

Requirements: These requirements are consistent with the RER requirements regarding administrative budgets and expenditures. The CA budget and expenditures for Administration must be reasonable, prudent and commensurate with meeting the contractual requirements between MDCH and the CA and must be consistent with OMB Circular A-87 or A-122 as applicable. If the CA is a local government entity and administration expenditures include a central cost allocation amount or rate, this allocation must have been developed consistent with OMB Circular A-87, Attachment C.

Administration costs must be allocated to all funding sources in accordance with relative benefits received in accordance with applicable OMB Circular cost principles. Further detail regarding administrative cost distributions for Medicaid is provided on page 7 of this document.

Special Note-Depreciation. Depreciation expenditures are only allowable as permitted by GAAP and federal Circular A-87 or A-122 as applicable. Depreciation or a use allowance is required by A-87 if approval to directly charge a capital asset has not been granted.

DCH payments are subject to recovery, based on audit findings. Any CA that is a non-profit entity cannot have a central cost allocation.

General: In keeping with changes made in FY05 to the RER reporting requirements that eliminated CA reporting by object of expenditure and converted to program reporting, the CA administration reporting is program and function based as well. It is required that the CA accounting structure has the capability to both maintain object of expenditures (e.g. travel, equipment, rent) but also to report these expenditures by program function defined below as "final" CA Administration Cost Centers.

Final CA Administration Cost Centers: All CA administration expenditures must be reported in one of the following program functions:

- General Administration
- Prevention Administration
- Treatment and Managed Care Administration (including AMS functions as applicable)
- Recipient Rights
- Other Administrative Costs

The CA's accounting system may incorporate both direct and distributed costs to these final cost centers. All cost distributions must be consistent with applicable federal regulations and state contract requirements.

If the CA's accounting system does not directly charge (identify) each expenditure within these five spending categories as final cost centers, the CA must have a system in place by which to appropriately distribute expenditures to these categories. This could be a combination of expenditure object codes and a cost distribution model that meets OMB Circular requirements as applicable. It may include staff time studies.

Note that RER requirements incorporate the requirement that when there is a central cost allocation, the CA Chief Executive Office or Chief Financial Officer must submit and provide Certification as to the appropriateness of the cost allocation process. The CA central cost allocation plan certification form must be submitted when introduced and when revised or every two years, whichever is sooner.

General Administration. General administration includes the six expenditure categories defined as administration by federal block grant requirements. These are indirect costs, grants and contract management, CA audit, CA policy and procedure development; personnel management and legislative liaison activities if applicable. Additionally, general administration includes expenditures for those functions associated with administering the substance abuse services delivery system that are not otherwise included in the Prevention, Treatment, Managed Care, or Recipient Rights categories.

It includes executive leadership of the CA. The medical director of the CA should be reflected in general administration if role of the medical director is to provide overall leadership to functions such as the development of clinical policies/protocols, treatment guidelines, level of care criteria, utilization management and utilization review. The costs of the Medical director's provision of clinical consultation or treatment services must be reported as Treatment expenditures.

Examples of other expenditures to be included in general administration include CA membership dues, advertising, insurances, board costs, Advisory Council costs and CA budget development. Also, when not specific to treatment or prevention services, examples include interpreter services, community forums and public hearings. Finally, time spend by the executive leadership in interagency collaboration--which could, for

example, include the development and operation of drug courts, integrated treatment projects, participation in local work groups, collaborating bodies, etc can be included in the general administration category.

Federal SAPT regulations limit total state-wide block grant general administration expenditures to 5%. The department will aggregate expenditures and apply the 5% limit on a statewide basis to this general administration category for the SAPT block grant. However, it is understood that individual CA expenditures in this category may be above or below the 5% level for this category depending on budget size, entity need and local contributions. Accurate reporting of these administrative expenditures is critical to meeting federal requirements of the federal block grant.

Prevention Administration CA prevention administration expenditures include costs associated with the administration of prevention services. CA Synar-compliance activities and other CA administrative expenditures directly attributable to the substance abuse prevention program should be included in this category.

Additionally, prevention administration includes those CA administrative costs associated with prevention program site visits, needs assessment, planning, program development, research and evaluation, reviews conducted in accordance with section 6228(b) of the Public Health Code (PA 368 (1978) as amended), quality assurance and post employment CA training including training paid by the CA for provider network staff. Costs associated with proctoring exams or credentialing of prevention staff must also be included in this expenditure category.

Communicable Diseases administrative costs may be reported under the category which is appropriate to the internal organization of the CA and the management of the Communicable Diseases program. For example, in some CAs, this program is administered through the prevention administration and through the treatment administration in other CAs. In the former, these CA administration expenditures would be reported with prevention; in the latter, with the treatment/managed care administration expenditures.

Treatment and Managed Care Administration (including AMS).

Both treatment and managed care administration expenditures are combined and reported as treatment and managed care administration expenditures. It is not, therefore, necessary to distinguish between treatment or managed care administration activities such as treatment program site visit administration expenditures vs quality management expenditures.

a) Treatment: CA treatment administration expenditures include costs associated with administration of the treatment program including, if employed by the CA, the women's specialist, the treatment or clinical administrator, and other costs attributable to the substance abuse treatment program. When performed by treatment administration staff, costs associated with the development of drug court programs, integrated

treatment projects, participation in local collaborating bodies, etc. should be included in this category.

Additionally, treatment administration includes those CA administrative costs associated with treatment program site visits, needs assessment, planning, program development, research and evaluation, reviews conducted in accordance with section 6228(b) of the Public Health Code (PA 368 (1978) as amended), quality assurance and post employment CA training including training paid by the CA for provider network staff. Costs associated with proctoring exams or credentialing of treatment staff must also be included in this expenditure category.

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b) Managed Care Administration (including AMS): This includes CA administrative costs in the following six categories, regardless of source of revenue:

- **Utilization Management (UM)**-those administrative functions that pertain to the assurance of appropriate clinical service delivery. UM is intended to assure that only eligible clients receive services, and that clients are linked to other services when necessary. UM components include:
 - 1) access and eligibility determination;
 - 2) level of care determination and service/support selection; service authorization.
 - 3) care management if it is limited to those clients that represent a service or financial risk to the CA and is individual case (client) monitoring carried out on behalf of the CA.
 - 4) utilization review of individual clients records specific to provider practices and system trends.
 - 5) review and monitoring of the provider network to determine appropriate application of service guidelines and criteria.
- **Customer services** that encompass activities directed at the entire population of the CA. It is understood that providers throughout the CA network carry out some customer services activities as part of the service process; these costs are not included in this CA administrative function, but are to be reported within the provider costs. This function includes four types of activities:
 - 1) information services that include general information and orientation to the CA system; development and dissemination of informational brochures, operation of a telephone line(s) and websites to provide information about services

- provided and respond to general inquiries and outreach activities to identify and establish communication with underserved groups. Any marketing or public relations activities should also be included in this category. Additionally, CAs frequently handle various DUI information/referral and respond to general substance abuse services inquiries. If the costs of such activities are separately identified, these should be categorized as customer services.
- 2) Coordination of client participation in services. This includes costs associated with enhancing or enabling client participation in advisory groups, task forces, working committees, policy and program development and other activities intended to engage clients including other stakeholders in decision oriented activities throughout the provider network.
 - 3) Client complaint, grievance and appeals processes except recipient rights. This includes activities such as investigation and management of informal complaints and formal grievances and appeals; administrative fair hearings, and any informal means used by the CA to resolve complaints. This also includes costs associated with the processes used by the CA to collect data and perform related analyses.
 - 4) Community Benefit. This includes costs associated with activities, other than those conducted as prevention, which are directed at the population of the entire service areas or service area sub-populations. Examples include participation in community planning bodies, community emergency and group trauma services, or administrative costs associated with partnership arrangement with community organizations.
- **Provider Network Management.** These costs encompass activities directed at ensuring that qualified providers of sufficient number and variety to provide consumer choice and that the provider network is in compliance with regulatory requirements and the performance expectations of the CA. Provider network management includes network development, contract management, network policy development and provider credentialing, privileging and verification. Network development-is the process of identifying and analyzing client provider needs; provider procurement, development of agreements with alternative payers or related agencies with goal of coordinating funding. Additionally, this function incorporates network provider training in relation to the CA performance expectations for the provider. Contract management includes contract language, contract negotiation and oversight including reviews for evidence of abuse and/or fraud, compliance monitoring and sanctioning as well as the development of standards for participation in the provider panel. Costs associated with credentialing and privileging may be included in this cost area.
 - **Quality Management (QM):** These costs encompass activities directed toward ensuring that standards of staff, program and management performance exist; that compliance is assessed and that ongoing improvements are introduced, monitored and indicated improvements implemented. Since most service provider organizations have quality management programs, CA quality

management administration is limited to specific developmental and improvement activities intended to improve the overall effectiveness of the CA network's clinical and administrative practices. These could, however, include QM pilot projects initiated and supported by the CA and intended to improve the overall network. QM includes standard setting including activities such as research based practice guidelines, clinical pathway protocols and authorization criteria; selection of standard tools for screening, assessment, etc. and performance management; Also, conducting performance assessment, development and implementation of compliance plans and action when non-compliance is revealed; and costs associated with managing reviews conducted by outside agencies such as accrediting bodies, etc. Finally, this component includes research activities; continuous quality improvement processes including facilitation of such activities in the provider network; provider education and training in response to QM identified needs and development of quality improvement plans.

- **Financial Management:** includes costs associated with financial management that are 1) carried out as Medicaid financial management functions delegated by the PIHP and 2) all other financial management expenditures of the CA carried out under its authority as the regional substance abuse coordinating agency in its contract with MDCH/ODCP. This should not include administrative expenditures of the CA for Medicaid administration that is not delegated by the PIHP. Financial management includes service unit and client centered cost analysis and rate setting or the development of standards for rates; risk-related analysis, modeling and underwriting as well as CA expenditures relative to provider claims adjudication and payment. This category may also include financial management expenditures for other CA local funds.
- **Information Systems Management (ISM):** ISM includes the costs processes and systems designed to support management, administrative and clinical decisions with the provision of data and information to support accountability and information requirements to and of the CA as a managed care provider. Costs include equipment, software, connectivity, management, and security. ISM administrative costs do not include those attributable to the provision of prevention or treatment services or on behalf of a service provider.

Recipient Rights: These are the costs of CA recipient rights related responsibilities as required by Article 6 of the Public Health Code and Administrative Rule Part 3 Recipient Rights. Note that this excludes grievance and appeal related costs that are described under Managed Care Administration.

Other Administrative Costs: CA administrative costs not otherwise reported, must be included in the Other Administrative Costs category. Occasionally, a CA may serve as a fiduciary for other grants or community services. Administrative costs associated with these activities should be reported as Other Administrative Costs.

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Revenue Specific CA Administration Requirements:

Medicaid

With regard to Medicaid, only those CA administrative costs for functions delegated by the PIHP to the CA may be considered Medicaid managed care administrative costs. All other CA Medicaid administrative costs are considered **program management costs for Medicaid purposes**.

Special Note: Medicaid CA administrative costs not attributable to those functions delegated by the PIHP to the CA must be consistent with OMB circular requirements and should not be reported to the PIHP as managed care administrative costs. Such costs are allowable as program administration costs. Specific reporting requirements for Medicaid are under the authority of the PIHP.

Federal Block Grant

Federal SAPT Administration. The federal administration definition includes CA administration expenditures for:

- Indirect costs distributed to the CA program by the administering authority (such as a county, a county health department or a community mental health authority) if consistent with A-87 Circular requirements
- Grants and contract management (excludes provider network related management functions or payments for prevention and treatment services)
- Audit of the CA
- Costs associated with CA policy, program and procedure development not specific to prevention or treatment programs.
- Personnel management/HR operations
- Legislative Liaison if applicable and otherwise allowable

These federal block grant administrative expenditures are categorized as “general administration”.

Federal Block Grant-Resource Development. Federal block grant application requirements provide for classification and require reporting of various activities of the substance abuse authority that they have classified as “resource development”. The

CA must be able to report a reasonable estimate of direct CA administration expenditures within the following categories:

- **Needs assessment.** This is limited to contracts/expenditures specifically for the purposes of conducting local needs assessment(s).
- **Training**: CA and program including provider network staff for treatment, prevention or administrative purposes. This is limited to CA expenditures for training events the CA sponsors and/or directly funds. This does not include expenditures by the provider network on training that may be included in rates or provider payments.
- **Research and Evaluation**: This is with regard to effectiveness or performance including clinical trials, program performance evaluation. This includes only research projects designated and funded by the CA as such and excludes routine quality assurance functions.
- **Outcome/Performance Evaluation Data**: Collection and/or analysis of data for purposes of outcome and performance evaluation. This excludes costs of data collection necessary to meet state or federal requirements or costs associated with provider network management which includes payment for services).
- **Quality Assurance**: The CA must provide an estimate of the percentage of prevention and treatment administrative expenditures that are directed toward quality assurance functions and provide the expenditure estimate. Quality assurance functions are defined as those specified under “Quality Management” in this document and include site visits and program monitoring. The method by which the CA has determined this estimate must be described in the report.

Special note: Review of resource development reporting requirements is ongoing. If federal reporting requirements change, this reporting requirement will be removed.

MI CHILD, ABW Waiver

Administration expenditures charged to MIChild and ABW must comply with OMB Circular A-87 or A-122 as applicable and contract requirements.

PA 2

Informal opinion by the Attorney General is that CA Administrative costs may not be charged to PA 2 funds.