

### **Narrative Describing the Process used to Assign Costs to Funding Sources**

The following steps are an outline of the process used to allocate expenditures among various funding sources:

1. An Expenditure Trial Balance is exported into Excel format and inserted into the appropriate section of an Excel workbook.
2. Affiliate Medicaid pass through expenditures are removed from the cost center in which they were expended. These are reported in the actual amount spent by the affiliate (as reported on the affiliates FSR).
3. Rent Revenues are used to offset gross expenditures in cost centers that reported rent revenues.
4. Allocations, as mentioned in the Cost Allocation Report, are performed for the following categories of expenditures:
  - Facilities
  - Unallocated Accruals (Various accruals not rolled out to individual cost centers including Employee leave balance accrual and DCW pass through accrual.)
  - IS
  - Medical Records
  - Training
5. Reclass entries are made (if applicable). Entries made are described within the workbook.
6. Accounts containing expenditures specific to one funding source are summarized. This includes pharmacy, special needs, and bussing expenditures recorded in the following accounts:
  - 740033 – Pharmacy Co-pays
  - 740035 – Pharmacy Fees
  - 740040 – Special Needs
  - 861030 – Bus Tokens
7. Costs for GF only service expenditures are identified for the following two categories:
  - Ambulance (861010 – Contract Transportation in Emergency Services Cost Center)
  - Crisis Residential room and board (Equal to SSI daily rate for each encounter reported in the Crisis Residential Cost Center).
8. Inpatient Services are summarized by funding source (There is an expenditure line for each funding source in inpatient cost centers).

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9. QAAP Tax, which is recorded in the Unallocated cost center, is assigned to the QAAP Tax line.
10. Adult Benefit Waiver Expenditures are identified in any cost center reporting ABW services. The process is as follows:
  - A report is run out of the billing system for ABW fund source services only.
  - The report lists, by cost center, the amount of ABW expenditures.
  - Expenditures on the report are calculated by (CEI standard rate x Units provided).
11. MI Child Expenditures are identified in any cost center reporting MI Child services. The process is as follows:
  - A report is run out of the billing system for MI Child fund source services only.
  - The report lists, by cost center, the amount of MI Child expenditures.
  - Expenditures on the report are calculated by (CEI standard rate x Units provided).
12. Local Match for Medicaid Draw Down, which is recorded in the Unallocated cost center, is assigned to the LMDD line in the workbook.
13. Children’s Waiver Expenditures are identified in any cost center reporting CW services. The process is as follows:
  - Expenditures recorded directly to the CW cost center are identified.
  - For expenditures outside the CW cost center, a report is run out of the billing system for CW fund source services only.
  - The report lists, by cost center, the amount of CW expenditures.
  - Expenditures on the report are calculated by (CEI standard rate x Units provided).
  - Expenditures up to the Fee-For-Service revenue recorded are identified as CW capitation expenditures.
  - Remaining CW program expenditures are recorded as CW – GF expenditures.
14. Injectable Drug expenditures are identified by expenditure account (740031 – Injectables) and listed by cost center.
15. Expenditures assigned to funding sources through step 14 are subtracted from each cost center to result in a subtotal of Medicaid, General Fund, Local, and other Grant and Contract expenditures.
16. COFR Revenues are used to identify expenditures associate with the COFR contract. The Expenditures are recorded in an amount equal to COFR revenue reported by each cost center. (501165 – Other CMHSP’S).

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17. Non DCH Grant and Contract Revenues are used to identify expenditures associate with the contracts. The Expenditures are recorded in amounts equal to the Grant or Contract revenue reported by each cost center. (Various revenue accounts).
18. State Facility Expenditures are reported in specific State Facility Cost Centers. The local share of expenditures are assigned to the appropriate line on the FSR. Expenditure accounts used in the State Facility Cost Center are 805040 – Contract-State Fac Local and 805010 – Contract Client.
19. Grant and Contract excess expenditures (for cost centers funded solely by a Grant or Contract) are identified and, if appropriate, the excess expenditures are assigned to the “Other Not Used As Local Match” section of the FSR.
20. DCH Grants are identified by cost center and/or expenditure account. Expenditures for DCH grants are assigned to the appropriate section of the FSR in an amount equal to the Grant revenue received. (Note – in no case does the revenue amount exceed the expenditure amount).
21. Expenditures assigned to funding sources in steps 15 – 20 are subtracted from each cost center to result in a subtotal of Medicaid and General Fund/Local expenditures.
22. State portion of State Facility charges are assigned, by cost center, to the appropriate line on the FSR.
23. Remaining Expenditures are assigned to Medicaid or General Fund by utilizing the following process:
  - A summary of Encounter Data is prepared listing cost center, procedure code, number of units, unit rate, and an indicator noting if the client was on active Medicaid at the time of service.
  - A summary of the Encounter data is prepared showing cost center and total expenditures (unit rate x number of units).
  - A similar summary is prepared for only the Medicaid encounters.
  - A Medicaid percentage is derived for each cost center by dividing the Medicaid encounter expenditure amount by the total expenditure amount in a specific cost center.
24. The percentage calculated in step 23 is used to allocate the remaining cost center expenditures between Medicaid and General Fund.
25. After the allocations are made in step 24, SSI revenue amounts (505010 – SSI Received) are listed by cost center to offset the gross Medicaid expenditures reported in step 24. The result is the net Medicaid Expenditures.

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26. General Fund expenditures are classified into 100% or 90/10 GF categories.
27. For 90/10 GF, the 10% Local match amount is calculated and recorded in the Local match on GF section of the FSR. The net GF amount is calculated by subtracting the Local match from the gross 90/10 GF.
28. Administrative expenditures are reported using the allocations of the program expenditures. For example, Residential Administration is allocated using the Fund source allocation of the residential home cost centers, board admin is allocated using the allocations of all agency program cost centers, etc.
29. Expenditures are summed by FSR categories and reported on the appropriate line on the FSR.
30. FSR amounts are used in completing the 460 Cost Allocation and MUNC reports.