Michigan Department of Health and Human Services (MDHHS)
Community Mental Health Service Program (CMHSP) Standard Cost Allocation (SCA) Tool Instructions
SFY 2025 Reporting Period – Version 1.4.5.

Overview

The purpose of this document is to provide instructions for understanding and completing each worksheet of the Excel-based Standard Cost Allocation (SCA) tool. Each of the following sections provides instructions for each of the worksheet tabs in the SCA tool Excel workbook. Please provide information for all the requested fields. The inputs sub-section below provides more information on what is required for a CMHSP to enter into the SCA, and each tab that requires an input is identified in header with a *CMHSP input required*. The tool has been locked to avoid users inadvertently impacting formulas. However, there is not a password required if users need to unlock the tool.

Each tab in the SCA tool contains descriptions of the formulas included on that tab. These are meant to aid the user in following the flow of expenditures through the tool and allocations processes.

As you prepare your submission, if you need any clarification on what is required for your submission, please contact MDHHS at SproatJ@Michigan.gov. If you have questions about the tool, please e-mail SCA.Feedback@Milliman.com.

Inputs

There are several key inputs needed from the CMHSP to successfully allocate expenses using this SCA tool Excel workbook. Any field within the SCA tool that requires input from a CMHSP is shaded in blue (within the *Standard Summarized TB* tab there are optional fields that are not highlighted in blue).

The first step is to summarize expense and other information from your CMHSP's adjusted trial balance for the reporting period into the *Standard Summarized TB* tab. This will require reporting and organizing all expenditures recorded in your CMHSP's adjusted trial balance into a spreadsheet and assigning each expense account to a prescribed Standard Expense Category and a prescribed Standard Cost Center. **This reporting must be done by assigning to each trial balance expense account a *Standard Expense Category Code,* a *Standard Cost Center Code,* and an associated adjusted trial balance accumulated *Cost.* It will be necessary to report all three of these elements in the provided SCA tool Excel worksheet columns in this tab for the SCA tool workbook to directly assign and/or allocate your CMHSP's expenses.** The CMHSP should input (e.g., cut and paste) its adjusted trial balance information into the SCA tool Excel workbook using the format provided, and then assign the appropriate *Standard Expense Category Code* and *Standard Cost Center Code* for each line, also using the format provided. The *Trial Balance Validation* tab provides some checks to ensure the trial balance is filled out correctly. If any of the red highlighted cells have a non-zero value in them, the cost centers or expense categories were incorrectly assigned in the trial balance. This tab also includes validation to ensure there are direct minutes on the *Service UNC tab* (explained in detail below) for all cost centers in which there are costs on the trial balance.

The next step in the input process will require the entry of various allocation statistics into the *CMHSP Inputs* tab. The CMHSP must report, by *Standard Cost Center*, the number of FTEs that are associated with the salaries and wages reported in each *Standard Cost Center*, the FTEs that use facility space for each *Standard Cost Center*, FTEs that use transportation related to each cost center, whether the cost center includes support staff (select *yes* or *no*), and any offsetting revenue for each cost center. If CMHSPs are able to directly assign the facility and vehicle expense allocation in their accounting records, the CMHSP should select the option to directly assign costs to cost centers on the *Expense Category Summary* tab, and the FTEs using facilities and FTEs using transportation inputs will not be required. This tab also includes validation to ensure there is an allocation base for costs that require direct allocation.

Offsetting revenue amounts reported should include any revenues received by the CMHSP related to each of the "non-encounterable" *Standard Cost Centers*, such as revenues received for providing training programs to network providers, or for other purposes, as well as County of Financial Responsibility (COFR) revenue. COFR revenue is attributable to direct-run services provided to COFR individuals where the attributable encounter is not included on the *Service UNC* tab of the EQI.

Attestation

The *Attestation* tab captures basic contact information for each CMHSP and includes an attestation regarding the use and accuracy of the reported information.

Tool Layout & Objectives

The *Model Layout & Objectives* tab provides an overview of each tab included in the tool. It contains details on the type of tab (Informational, CMHSP Input, User Checks, Summary, and Allocation) and the objective of the tab. Much of this information is included in these instructions but is also included in the tool for ease of access.

List of CC and Exp Cat

The workbook tab titled *List of CC and Exp Cat* provides a list of the 66 *Standard Cost Centers* and related standard codes, which are categorized into the following groups:

- Direct-Run Clinical
- Non-encounterable
- Direct Allocation
- Excluded Service

The *Standard Cost Centers* are provided in this tab for reference only and should be used for the purposes of preparing the *Standard Summarized TB* tab. The *Standard Cost Centers* are numbered using the first digit to define which category the cost center falls under, and the second and third digits count numerically.

Below the *Standard Cost Centers* is a list of the expense categories codes and related expense category descriptions. The expense categories are for reference only, and should be used for the purposes of preparing the *Standard Summarized TB* tab.

Standard Summarized Trial Balance (TB) *CMHSP input required*

The *Standard Summarized TB* tab is the primary input needed for the Standard Cost Allocation tool. Since each CMHSP has a unique trial balance, adjustments may be necessary before data is entered on this tab. **Please note this tool primarily relies on expense information only and it is recommended that all non-expense information (e.g., revenue or balance sheet account amounts) be excluded from this tab.** The columns that are precedents to the rest of the workbook are the “Standard Expense Category Code”, “Standard Cost Center Code”, and “Cost” columns. The “Cost” column is the ending adjusted trial balance amount for each general ledger expense line item for the reporting period. All other columns are not required but have been included for convenience of retaining CMHSP specific account and cost center information within this tool.

Two drop down options exist at the top of this tab. They are for choosing to use the 206 and 209 Cost Centers for Grants and General Fund respectively, or to use the 500 level and 600 level cost centers respectively. The 500 and 600 level cost centers are for users of the tool to split grant and general fund costs into more detail. The costs included in these cost centers will flow through the tool in a similar manner to the regular 206 and 209 cost centers.

Additional information regarding the methodology to support completing this tab, including definitions for the standard cost centers and standard expense categories, can be found in the *Step 1 Creation of Summarized Trial Balance* section of the *Standard Cost Allocation Methodology* report.

Trail Balance Validation

This tab provides validation to confirm the *Standard Summarized TB* tab was filled out correctly. All of the cells highlighted in red should contain a zero value. Red shaded cells are dynamic based on the user inputs on the Expense Category Summary. If one or more red highlighted cell contains a non-zero value, then there are cost centers assigned for expense categories on the summarized trial balance that are not permitted within the SCA methodology. This validation helps to ensure that expenses flow through the tool as designed by the SCA methodology. For example, expense category 01 should only contain Direct-Run Clinical of Excluded cost centers. The user should ensure all red cells are zero before completing the remaining workbook tabs. For expense category 21, all values should be less than or equal to zero. If any cells in expense category 21 are greater than zero, the total row will be highlighted in orange.

Expense Category Summary *CMHSP input required*

This tab is a table showing the sum of costs for each of the 21 standard expense category codes that are formulaically "rolled up" from the *Standard Summarized TB* tab. This tab illustrates the description and allocation basis of each standard expense category code. The Allocation Basis has been determined by the SCA Workgroup, is outlined in the SCA methodology, and will be applied consistently for all CMHSPs. There are seven CMHSP inputs available for this tab; these inputs allow the CMHSP to indicate whether certain allocations will be made in the CMHSP's accounting system (and then directly assigned in the SCA tool) or if the tool will be used to complete the allocation process. For example, for the *Pension and Retirement Expenses* Expense Category, CMHSPs will have an option to directly assign these expenses in their General Ledger, based on salaries and wages, or allocate these expenses through the SCA tool (also based on salaries and wages). In this same example, the CMHSP user will select their method from the drop-down options in cell D15. Please note that the input for contracted supervisors is required to follow non-contracted supervisors within the SCA tool and is therefore not a separate input. **Note that when selecting the option to directly assign these expenses, the resulting directly assigned amounts must be the same as they would have been had the CMHSP elected to use the tool to complete the allocation process.**

Additional information, including the rationale for the allocation basis, can be found in the *Step 2 Direct assignment or standard allocation of expenses to standard cost centers* section of the *Standard Cost Allocation Methodology* report. **Please note for all expense categories for which the allocation basis is direct assignment, the summarized trial balance is required to have expenses split out by cost center. If Column D is identified as Direct Allocation in the *Expense Category Summary* tab, the expenses will be entirely allocated into a specific cost center for further allocation.**

This tab also contains further validation that the expense categories and cost centers have been entered correctly (i.e., all expenses are allocated or directly assigned as anticipated).

CMHSP Inputs *CMHSP input required*

This tab contains various inputs that are used in other worksheets in the tool. The inputs should all be entered at a cost-center level. The first four inputs relate to the allocation basis of costs. CMHSPs should input the total number of FTEs (excluding supervisors) related to the salary and wage expenses reported for each *Standard Cost Center* (column E), this statistic is used for allocating later in the tool. Total facility expenses will be allocated based on FTEs using facilities. FTEs using facilities related to each cost center is not required if the CMHSP already allocates facility costs in their internal accounting records using the same methodology and they can be directly assigned. Vehicle expenses will be allocated based on FTEs using transportation. Finally, if a particular cost center includes services that require use of support staff, the CMHSP should enter a "Yes" in column H, otherwise it should be left blank or as a "No". Costs associated with support staff will only be allocated to cost centers (based on salaries and wages in those cost centers) that have been indicated as allowing these types of staff.

This tab also includes inputs for offsetting revenue for all cost centers and COFR revenue applicable to direct-run clinical cost centers. These values must be entered as less than or equal to zero.

Finally, this tab includes validation that costs included in Cost Centers 303 and 304 have FTEs using facilities and FTEs using transportation respectively to be allocated over.

Expense Category Allocation

The *Expense Category Allocation* tab is a table used to allocate all expenses that are not directly assigned, which may include the following:

- Employee Insurance and Other Fringe Expenses (depending on user input)
- Pension and Retirement Expenses (depending on user input)

Salaries and Wages are summarized from the *Trial Balance* tab. The allocation percentage for salaries and wages is calculated as the amount for each specific cost center divided by the total amount for all cost centers.

For amounts rolled up to *Standard Expense Categories* that are allocated, the amount allocated to each cost center is calculated as the allocation percentage for that particular cost center and expense category multiplied by the sum of all costs identified in the summarized trial balance for that respective expense category. For example, Employee Insurance and Other Fringe Expenses are allocated based on total salaries and wages, so the Employee Insurance

and Other Fringe Expenses allocated to the ACT cost center is equal to the total Employee Insurance and Other Fringe Expenses multiplied by the allocation percentage found under the qualifying salaries and wages column for the ACT cost center.

Initial Direct-Run (DR) Clinical Cost Center (CC) Summary

This tab provides a summary of the initial expenses for each of the direct-run clinical cost centers that have been directly assigned or allocated on the prior tab. Directly assigned expense categories may include:

- Salaries and wages for clinical direct service staff
- Salaries and wages, service support staff
- Compensation for contractual clinical direct service staff
- Federal and state payroll taxes and fees
- Employee Insurance Expenses (depending on user input)
- Pension and Retirement Expenses (depending on user input)
- Client related travel expenses
- Clinical program and support expenses
- Facility and Equipment-Related Expenses (depending on user input)
- Vehicle expenses (depending on user input)

These directly assigned expenses are added to the clinical cost center allocated expenses from the previous tab to determine the total initial directly assigned and allocated expenses.

Non-Encounterable Cost-Center Summary

The *Non-Encounter CC Summ* tab is similar to the previous tab, except that it summarizes the expenses for all non-encounterable cost centers. The expense categories that have been directly assigned to the non-encounterable cost centers include the following:

- Salaries and wages, service support staff (depending on user input)
- Salaries and wages for clinical first- and second- line supervision (depending on user input)
- Compensation, contractual clinical first- and second- line supervision (depending on user input)
- Salaries and wages, administration
- Federal and state payroll taxes and fees
- Employee Insurance Expenses (depending on user input)
- Pension and Retirement Expenses (depending on user input)
- Administrative Contracted Services
- Other Contracted Services
- Board of Directors Expenses
- Administrative Travel, Expenses
- Facility and Equipment-Related Expenses (depending on user input)
- Vehicle expenses (depending on user input)
- Other Expenses
- Offsetting Revenues (received and attributable to a cost center)

Note: some of these expense categories are consistent with the prior tab (i.e., the expenses that can be directly assigned to both direct-run and non-direct-run cost centers) while others are different (i.e., some expenses can only be directly assigned to direct-run cost centers while others can only be directly assigned to non-direct-run cost centers).

In this tab, all supervision salaries and wage expense categories will be directly assigned only to the supervision cost center. Similarly, all board of directors' expenses will only be allocated to the general administration cost center. **The offsetting revenue is from the *CMHSP Inputs* or the *Summarized Trial Balance* tabs, depending upon whether the costs are directly assigned or allocated.** This revenue accounts for activities that the cost center may relate to that benefit other entities (e.g., revenues associated with CMHSP trainers providing training to network providers and revenues from network providers paying to use the CMHSP EHR). More information can be found in the *Accounting for offsetting revenues* section (within Step 3) of the *Standard Cost Allocation Methodology* report.

The directly assigned expenses and offsetting revenue reductions are added to the allocated expenses from the *Expense Category Allocation* tab to arrive at an initial directly assigned and allocated expenses total for non-encounterable cost centers.

Excluded Cost-Center Summary

The *Excluded CC Summ* tab is similar to the previous tab, except it summarizes the expenses for all excluded cost centers. Only certain expense categories can be directly assigned to the excluded cost centers, while others are always directly assigned to specific allowable cost centers.

Non-Encounterable Cost-Center Allocation

This tab allocates the total directly assigned and allocated expenses for certain non-encounterable cost centers from the previous tab. This tab includes allocation percentages, like those that were calculated on the *Expense Category Allocation* tab. The following non-encounterable cost centers are allocated to all other cost centers using the SCA defined hierarchy and the corresponding standard allocation basis that is identified in Row 7 of this tab (above each cost center name).

- Facility and Equipment Related Expenses for Allocation
- Vehicle Expenses for Allocation
- HR
- IT
- Trainers Net Expense
- Salaries and Wages, Service Support Staff for Allocation
- Clinical Supervision
- Non-Clinical Supervision
- Medical Records
- Access Center (CCBHC Only)
- Care Coordination (CCBHC Only)
- Utilization Management (CCBHC Only)
- Finance
- General Administration

More information can be found in the *Allocation basis for certain non-encounterable cost centers* section (within Step 3) of the *Standard Cost Allocation Methodology* report.

Final Direct-Run Clinical Cost Center Summary

This tab sums the directly assigned expenses from the *Initial DRClinical CC Summ* tab, the allocated expenses from the *Expense Category Allocation* tab, the allocated expenses from the *Non-Encounter CC Allocation* tab, and COFR revenue. **COFR revenue and other offsetting revenue is pulled in from the *CMHSP Inputs* or the *Summarized Trial Balance* tab.** The table shown in columns U and V on this tab documents the expense categories and cost centers that are completely or partially included in the total direct-run clinical cost centers and which component of unit cost they represent. These total expenses are then divided by the number of total direct minutes from the *Service UNC* tab to get to a composite cost per minute for each of the clinical cost centers.

Columns P through S of this tab contain a calculation to determine the CCBHC portion of Provider Admin and Transportation Admin. The sum of this column is shown again on the *Administrative Cost Summary* tab. It is meant to be entered in row 15 of the [D.1. Indirect Cost Allocation] Tab of the CCBHC Cost Report, if your CMHSP is a CCBHC and is using the SCA methodology to determine your indirect rate. For more information on whether your CCBHC-CMHSP is able to use the SCA methodology to determine your CCBHC indirect rate, please refer to the most recent CCBHC Reporting Guidance from MDHHS.

More information can be found in the *Step 4 Summarize direct-run clinical costs* section of the *Standard Cost Allocation Methodology* report.

Standard Provider Weights

The *Standard Provider Weights* tab creates a standard weighting factor for each of the SFY 2025 provider groups, described below. This table also includes the costs for SUD residential to support allocating costs for each ASAM level.

The provider groups represented in this tab cover the full range of the various types of providers expected to be providing billable services under Michigan's Medicaid behavioral health program. The salaries and wages, employer taxes, insurance, and retirement values will be updated on an annual basis to reflect more current salary survey data. The total annual compensation expenses for an employee in each level are divided by 100,000 to calculate a weighting factor for that provider group. The weighting factor is used in the following tab separately for each cost center.

Weighted Cost per Minute by Provider

The *Wtd Cost per Minute by Provider* tab uses the composite cost per minute calculated on the *Final DRClinical CC Summ* tab, direct minutes adjusted for group services from the *Service UNC* tab separated by provider group, and the provider group weights from the *Standard Provider Weights* tab to calculate a weighted cost per minute by provider.

In this tab, the direct minutes adjusted for group services are summed up by provider grouping and cost center. They are then multiplied by the provider weights and normalized so the direct minutes adds up to the original total direct minutes. Next, the weighted and normalized minutes are multiplied by the composite cost per minute to determine total expenditures. Finally, these expenditures are divided by the original unweighted direct minutes to determine a final weighted cost per minute for each cost center and provider grouping. The provider group weighted cost per minute will be multiplied by the direct minutes adjusted for items such as group services included for direct-run services on the [Service UNC] tab of the Encounter Quality Initiative (EQI) template to determine the total cost for each row.

More information can be found in the *Step 5: Apply provider group weighted cost per minute method to allocate pooled direct-run clinical cost center total costs to individual services* section of the *Standard Cost Allocation Methodology* report.

Service UNC - SCA *CMHSP input required*

The *Service UNC – SCA* tab is currently included within this tool for two purposes: (1) for CMHSPs to input the total direct minutes for each row (service, modifier, program, and population combination) and (2) to illustrate the application of the provider group weighted cost per minute, which is multiplied by the direct minutes adjusted for group services, to determine the total cost applicable for each row.

More information can be found in the *Step 5: Apply provider group weighted cost per minute method to allocate pooled direct-run clinical cost center total costs to individual services* section of the *Standard Cost Allocation Methodology* report.

Service UNC - EQI

The *Service UNC -EQI* tab within the SCA tool will align with the [Service UNC] tab required within the EQI template. This tab requires no input and is simply a summary of the information from the *Service UNC – SCA* tab. It is meant for the CMHSPs to easily transfer information from the SCA tool into the EQI reporting template.

Administrative Cost Summary *CMHSP input required*

The *Administrative Cost Summary* tab summarizes all costs, including administration costs not allocated to services, direct-run clinical costs, and contracted network provider clinical costs. This tab provides a summary of the various components of administrative costs, separated out by the administrative cost categories defined in Step 3 of the *Standard Cost Allocation Methodology* report, including the direct-run clinical provider administrative percentage and the managed care administrative percentage resulting from the standard cost allocation methodology. Additionally, it includes an approach for allocating administrative costs to the various fund sources and populations included in the EQI report *Non-Benefit Expense* tab. For purposes of this, the tool attributes total expenses, and the CMHSP should input in the summary what portion of total administrative costs are retained (performed by CMHSP staff) or delegated to subcontractors.

If the CMHSP completing the SCA Tool is a CCBHC and is using the SCA methodology to determine the CCBHC indirect rate in the CCBHC cost report, the value to be entered on row 15 of the [D.1. Indirect Cost Allocation] tab of

the CCBHC Cost Report is calculated in row 27 of this tab. This value is calculated as the sum of the portion of provider admin and transportation admin attributable to CCBHC services for each clinical cost center. The portion attributable to CCBHC services is based on the CMHSP direct-run expenditures on the *Service UNC – SCA* tab. For more information on whether your CCBHC-CMHSP is able to use the SCA methodology to determine your CCBHC indirect rate, please refer to the most recent CCBHC Reporting Guidance from MDHHS.

Scratchpads

These tabs are only included for the user to use as a place for note taking or scratch calculations. Anything submitted on these tabs will not be used by MDHHS for any reason. No other tabs or formulas in the tool rely on any cells from these tabs.