School Finance Hot Topics – Fall ASBO 2016

Save the Dates

The Office of School Finance is beginning the planning process for the 2017 annual summer conference. The results of the survey regarding the desired training dates reflected that most conference attendees prefer the conference to be held in mid to late July. Therefore, our first choice for annual summer conference dates will be July 18-20, 2017. Please mark your calendars. Once a facility has been secured for those dates, a formal notification will be sent out to the listserv.

Based on comments received on the evaluation forms for the Certified List of Personnel Training, the Office of School Finance will be moving the training to late July to reduce competition with the startup of the new school year. The tentative date for the training is July 27, 2017. Once a facility has been secured for that date, a formal notification will be sent out to the listserv.

GASB 68 Update

As of October 4, 2016, the draft GASB 68 statements for FY15 had not yet been released. Per discussion with CPRB's audit firm, the State of WV's auditors have sought clarification directly from GASB on how to handle an extra payment made into TRS during FY15 under WVC 18-7A-39. Until such time that GASB has provided the necessary technical assistance, the draft statements will not be released since the amounts could change depending on the guidance ultimately received.

Once the statements are released or we have a better idea of a timeline, the GASB 68 workshops will be rescheduled to assist county boards of education with preparing the GASB 68 conversion entries on their financial statements. Announcements regarding training dates will be sent to the listserv.

ZOOM Monthly Financial Reporting Update

Unfortunately, the contract programmer resources we need for the ZOOM financial monthly report have been devoted to other projects, such as the A-F Grading system for schools. Once those other critical projects have been completed, the monthly financial report will be in line for the programming resources needed to tie up the loose ends. The goal will be to have everything complete by December 31, 2016.

Change Oder to Statewide Contract for School Buses

The statewide contract for school buses was modified to reflect that Heritage Bus Sales, Inc. was bought by Worldwide Equipment, Inc. Change Order 1, effective September 1, 2016 through December 31, 2016 assigns the original contract from Heritage Bus Sales to Worldwide Equipment. County boards of education who had issued a purchase order to Heritage Bus sales prior to September 1, 2016 will likely receive the bus from Worldwide Equipment and be invoiced by Worldwide Equipment. County boards

who are issuing purchase orders and contracts now will begin the process directly with Worldwide Equipment. Because you may need a copy of the change order for your records due to the change in vendors, a link is below:

http://www.state.wv.us/admin/purchase/swc/SBUS.htm

Medicaid Fingerprint/Background Check Training

Training sessions have been held across the state regarding the new Medicaid fingerprinting/background check requirements. Subsequent to the training, WVDE learned that the cost for the background check dropped on October 1st from $37.25 to $34.50 per employee due to a reduction in the cost for the federal portion of the background check. In addition, the grant which had been covering the $20 per employee WV CARES application fee has been extended until September 2017. The extension of the grant will be a significant cost savings for the county boards of education.

The following additional guidance was provided via email by Terry Riley, WVDE Medicaid Coordinator.

Medicaid Background Check First Steps:

1. Confirm that your district has an account with Morpho Trust which includes WV CARES as an option. The information on how to apply or add WV CARES to an existing account follows from MorphoTrust at the bottom of this document. Please note that it is called an escrow account. Schools systems cannot do an escrow account. For the ORI number section use the following: WV Cares/WVPAC000Z. In the Deposit area indicate a request for a billed account, with net 30 day terms. Specific blanks on the application that don't apply can simply be marked "N/A".
2. Determine if you will schedule staff into Morpho Trust locations or request an on-site mobile fingerprinting session. They are scheduling the mobile unit on a first come first served basis. However, first priority will be given to sites that have 60 participants. If your district doesn't have that many staff members you may consider combining with a neighboring district. Keep in mind you will not be able to start fingerprinting until your account is created with both Morpho Trust and WV CARES.
3. Complete the attached one page application for WV CARES and submit it to WV CARES. This will open the account and informs WV CARES who the primary administrator will be for the account. Once this is completed, the primary administrator login and password can be generated.
4. Determine which staff members will need to have a Medicaid background check. This will be any staff that sign billing forms. This includes bus drivers and transportation aides for a special education bus with a lift. Also included would be SSLPAs who can bill TCM. WVDE is seeking guidance in regard to background checks for COTAs and PTAs.
5. Work with the personnel office to compile the excel spreadsheet for all employees that will need to have a background check. The template and directions are attached. The spreadsheet is in "column separated value" format. (Special Education Directors – This is a similar format to the DLM upload template from two years ago.) It is very important not to change or alter the columns or headers. You can adjust the width to be able to see

information. However do not change any of the header text or delete, add, or re-arrange columns. All columns with an asterisk are mandatory. You will not be able to import this to WV CARES until you receive your primary administrator login and password.

6. Discuss with treasurer the costs associated with the number of staff that need a background check. The cost is $37.25 per staff member to Morpho Trust. There is an additional fee of $20 per staff member to WV CARES unless the grant is extended that has been covering this cost. Keep in mind that these rates covers the employee for a five year period.
7. More information will be provided once the usernames and passwords are distributed.

Morpho Trust Account Information:

Link to account setup

MorphoTrust account request forms can be found on their website. New account users should visit the website, www.identogo.com, and then click on West Virginia. Once on the WV page, the user will click on the Forms and Link section and will be able to find the Escrow Account packet. This packet includes the Account Application along with instructions. Account setup and authorization for WV CARES will take 2-3 weeks for completion.

The direct URL link to the Forms & Link section is:

https://wv.l1enrollment.com/OpenNetworkPortal/spring/customer?execution=e1s4

Directions for account authorization

For current account holders that wish to activate their existing account number for WV CARES, the account holder must send an email request to the MorphoTrust billing team (billingaccounts@morphotrust.com) asking to have the account number authorized for WV CARES. Please allow for 2-3 weeks for this activation.

Link to locations

MorphoTrust Enrollment Center coverage can be found on our website. Users should visit the website, www.identogo.com, and then click on West Virginia. Once on the WV page, the user will click on the Locations section and will be presented with a list of all active locations. There are currently 26 total locations across the state.

The direct URL link to the Locations section is:

https://wv.l1enrollment.com/OpenNetworkPortal/spring/customer?execution=e1s5

Instructions for contacting MorphoTrust with questions, appointment scheduling, or onsite special requests.

Facilities and applicants should contact MorphoTrust Customer Service at (855)766-7746 for instructions or questions.

Medicaid Cost Settlements – Annual CPE Form

County Boards of Education received an email from PCG on Friday, September 23, 2016 regarding the 2014-15 Medicaid Cost Settlement. The email contained detailed instructions regarding the steps needed to complete the cost settlement process. The steps are outlined below:

- Step #1. Under the Annual Tab click 'Cost Settlement' and then click 'Approve Cost Settlement' at the top of the screen, after your district administrator has reviewed your cost settlement calculation. A screen will appear asking you to confirm. Click "Confirm".

- Step #2. Under the Annual Tab click 'CPE Form', using your browser to print, sign, and scan the original Certified Public Expenditure (CPE) Form to your computer.

- Step #3. In the 'CPE Form' tab upload your completed CPE form to the claiming system by Tuesday, October 18, 2016, using the "Upload Signed CPE Form" button.

On the CPE form, Section II contains a space to enter the LEA Financial Account Code, which is defined as "The expenditures identified above as the match for the federal funds received from Medicaid are draw from the following approved local accounts." **Per discussion with DHHR, this section of the form is optional for the 2014-15 annual cost report and will be removed from future CPE forms.**

Medicaid – Interim Payment Data

As CSBOs have reviewed the data that they are being asked to certify on the CPE form, a few CSBOs have inquired about where the Interim Payment data populated in the system by PCG came from and how that number can be tied down. The interim payment data came from a customized report from the Molina billing system. It is intended to reflect all paid fee-for-service claims with a date of service from July 1, 2014 to June 30, 2015. It will not tie directly to the financial records for the 2014-15 year due to timing differences – by law, Medicaid providers have up to one year from the date of service to submit the fee-for-service claim. Typically the fee-for-service revenue received at the beginning of one fiscal year is for dates of service in the previous fiscal year, but there are truly some county boards of education that take almost the full year to submit their claims.

To test the special report from the Molina system, WVDE asked Braxton County to reconcile the report for their county to their underlying claims data. Braxton County identified some claims inadvertently excluded from the Molina report and those issues were corrected. Due to the large volume of claims data, certain service types were confirmed in total for the year for a county instead of all claims for that county. Based on the review procedures performed, WVDE felt comfortable proceeding with the report for cost reporting purposes. Because CSBOs are being asked to certify this information on the CPE form, if you would like to have a greater level of comfort with the data, your RESA Medicaid Billing Specialist may be able to assist you with a high level calculation to address the major timing differences. The RESA

Medicaid Billing Specialist will know generally how far behind the claims for a county are being submitted to DHHR to advise how many months of paid claims need to be adjusted into a different year to reconcile revenue received back to the dates of service. To have 100% comfort with the amount reported, claim level data would have to be reviewed.

Medicaid Cost Settlements – Payments from DHHR and Payback Options

Once the CPE form has been uploaded in the PCG system and PCG processes the cost settlement, all counties will receive a letter from the DHHR Bureau for Medical Services (BMS). The type of letter from BMS will depend on whether the county is due money from BMS or whether the county owes money back to BMS.

For the county boards of education with a cost settlement showing that they owe funds back to BMS for the 2014-15 school year, there will be multiple payback options available. County boards will be able to choose from the following:

1. Write a check for the full amount
2. Have the payback amount withheld from future claims
3. Enter into a 12 month repayment plan

Similar to the IEP payback process, the county will complete the form showing which option is being selected and return the form to BMS within a specified timeline. In certain circumstances, it is possible to extend the repayment plan beyond 12 months. I have already indicated to DHHR/BMS that we may have county boards of education that will seek a longer repayment period simply due to the dire financial situation in those counties.

For the county boards of education with a cost settlement calculation that shows the county is due money from BMS, the county will receive a letter acknowledging the funds due and an indication that the funds will be sent via the regular Medicaid payment process. The cost settlement will be included on a regular Medicaid remittance along with the fee-for-service claims.

DHHR/BMS is still working on some procedural issues for this first round of cost settlements. WVDE has asked that they try to process the cost settlements as quickly as possible.

Medicaid Cost Settlements for 2015-16

The annual Medicaid Cost Report for the 2015-16 year will be due on December 31, 2016. We are attempting to schedule PCG for training at the Winter WVEIS Conference on December 1, 2016. PCG has also expressed a desire to do a webinar sometime in November but no date has been finalized for the webinar.

Now that the custom billing reports needed for the cost settlement process have been developed, the interim cost settlements for the 2015-16 school year should in theory be able to take place much more quickly than the cost settlement for 2014-15. However, the cost settlement looks at the paid fee-for-service billing claims for dates of service within the school year. Under federal regulations, county boards of education have one year from the date of service to submit the fee-for-service claim.

Because there are many county boards of education that take almost that full year to submit the fee-for-service claims, processing the interim cost settlements earlier becomes problematic.

It is recommended that all fee-for-service billing for dates of services between July 1, 2015 and June 30, 2016 be submitted to BMS by no later than November 30, 2016. County boards of education that have historically been behind on billing are strongly encouraged to get caught up and bill on a regular monthly basis so that the cost settlement process is not delayed.

Because the fee-for-service billing amounts for the 2015-16 year have resulted in significantly less Medicaid revenue during the timeframe, it is very likely that the cost settlement results for the 2015-16 year will be more favorable to the county boards of education. If it is estimated that the cost report results will be similar to the 2014-15 cost reports and that amount is then compared to the fee-for-service billing for the year, it is anticipated that most county boards of education will be due money from BMS. The earlier that the interim cost settlement can be completed for the 2015-16 year, the more likely it is that the county boards of education will be able to show that as a receivable on the FY17 financial statements.

Medicaid Adjustments to the FY16 Financial Statements

Because of the timing of the receipt of the 2014-15 cost settlement amounts, the financial statements for many county boards of education may not reflect them. **All county boards of education must either submit an email to the Office of School Finance indicating that the financial statements do include the cost settlement amount or submit a revised version of the financial statements to include the cost settlement**. **Revised financial statements that include the cost settlement are due no later than October 28, 2016.** Earlier submission of the revised financial statements is strongly encouraged, especially for county boards of education that owe funds back to DHHR since that will have a direct impact on the fund balance for the county and may potentially result in a deficit. It is imperative that the Office of School Finance be aware of the true financial picture for all county boards of education.

For county boards of education that are due money from DHHR, because the funds will not be received within 60 days of June 30, 2016, the amount due will be reflected as a receivable and a deferred inflow of resources. However, on the district-wide statements, the deferral must be reversed as part of a conversion entry and shown as actual revenue. You could do a separate entry for this (as shown below) or lump this in with your other standard conversion entry that reverses all other deferred inflows of resources. Example journal entries are below:

Fund level entry to record Medicaid cost settlement receivable and deferred inflows of resources at 6/30/2016.

11.00YXX.00141	Intergovernmental Receivables	$XXXX	
11.00YXX.00601	Deferred Inflows of Resource		$XXXX

District-wide conversion entry to recognize Medicaid deferred inflows of resources in the fund financials as revenue for the district-wide statements at 6/30/2016.

	Deferred Inflows of Resources	$XXXX	
	Federal Source Revenue		$XXXX

For county boards of education that owe money to DHHR, it has been determined through a discussion with various audit firms that the activity should flow through the FY16 financial statements instead of being treated as a prior period adjustment directly to fund balance. This situation does not meet one of the criteria to be treated as a prior period adjustment – it is not the correction of an error, the financial statements for FY15 were completed with all known information at the time, and it isn't a change in accounting principle.

To flow the activity through the FY16 financial statements, the Medicaid refund (since we are refunding fee-for-service revenue to DHHR) should be handled as a debit to the Medicaid revenue account and a credit to the payable account on the balance sheet. An example journal entry is below:

Fund level entry to record Medicaid cost settlement payable to DHHR at 6/30/2016.

11.00Y83.04221	Medicaid Payments (Revenue)	$XXXX	
11.00YXX.00412	Intergovernmental Payables		$XXXX

Cost Settlement Example – Payback Situation

Below is an example of an actual cost settlement calculation for a county that owes money back to DHHR.

District Name: XXXXXXXXX
Cost Report Period: Jul 01, 2014 - Jun 30, 2015

Cost Settlement Summary

1. Total Computable Medicaid Allowable Costs	$216,907.89
Direct Service$172,058.89 Personal Case$21,126.06 Targeted Case Management$23,722.94 Specialized Transportation$0.00	
2. July-September FMAP (#1 * 25% * 71.09%)	$38,549.95
3. October-June FMAP (#1 * 75% * 71.35%)	$116,072.83
4. Gross Cost Settlement Amount (#2 + #3)	$154,622.78
5. Total Medicaid Paid Claims	$280,315.08
Direct Service$26,962.11 Personal Care$167,842.69 Targeted Case Management$85,510.28 Specialized Transportation$0.00	
6. Net Cost Settlement Amount (#4 - #5)	($125,692.30)

Comparing the computed Medicaid allowable costs from the top section of the cost settlement to the total Medicaid paid claims in the bottom section of the cost settlement on a cost pool by cost pool basis shows which areas caused the payback situation. From the chart below, it is clear that the Personal Care and TCM cost pools caused the payback situation in the example county.

Category	Medicaid Allowable Cost	Gross Settlement Amount (after FMAP %)	Total Medicaid Paid Claims	Cost Settlement
Direct Service	172,058.89	122,652.17	26,962.11	95,690.06
Personal Care	21,126.06	15,059.71	167,842.69	(152,782.98)
TCM	23,722.94	16,910.90	85,510.28	(68,599.38)
Specialized Transportation	-	-	-	-
Total	216,907.89	154,622.78	280,315.08	(125,692.30)

During the 2014-15 year, personal care aides were billed at a daily rate that covered approximately 90% of the daily salary. However, based on the RMTS responses provided by the personal care aides, only 15.82% of the salary was deemed to be allowable on the cost report. Therefore, county boards of education were automatically in a situation where a significant portion of the fee-for-service billing would have to be paid back during the 2014-15 year. Please note that the fee-for-service billing process changed for 2015-16 and personal care services were billed based on 15 minute units; therefore, the amount billed under fee-for-service should more appropriately match the results of the cost report for the 2015-16 year.

For Targeted Case Management (TCM), for a portion of the 2014-15 year, county boards of education were billing for a monthly unit of Care Coordination for each Medicaid eligible student. During November 2014, the fee-for-service billing rules changed and county boards began billing for Targeted Case Management in 15 minute units. Based on the RMTS responses provided by special education teachers, only 3.97% of the salary for TCM providers was deemed allowable on the cost report. The disparity between the fee-for-service billing and the cost report allowable percentages resulted in an automatic payback situation during the 2014-15 year. For the 2015-16 year, fee-for-service TCM billing was significantly less than during the 2014-15 year, so the amount billed should more appropriately match the results of the cost report for the 2015-16 year.

While not illustrated in this particular example, many county boards of education owed funds back to BMS due to specialized transportation. During the 2014-15 year, county boards of education were able

to bill for a more broad definition of specialized transportation – it wasn't limited to only buses with lifts as required in the cost report calculations. Therefore, county boards were billing for trips on buses that weren't allowed to be claimed on the annual cost report which resulted in a payback situation for many county boards. Another factor for many small county boards of education is the fact that their buses with lifts are used for regular bus runs and are not used only to provide specialized transportation services to students. This resulted in county boards of education being required to claim those buses as nonspecialized transportation on the cost report instead of as specialized transportation, which caused the Specialized Transportation Ratio to be applied in addition to the One Way Trip Ratio. The application of the Specialized Transportation Ratio results in a very low percentage of the costs being deemed allowable on the annual cost report.

There were many billing changes for specialized transportation during the 2015-16 year that should allow the cost report results for the 2015-16 year to more closely match the amounts billed under fee-for-service. Fee-for-service billing can only be performed for the buses with lifts and the total number of trips for the One Way Trip ratio are now being tracked on the billing forms by the bus drivers (they were estimated using a formula for the 2014-15 annual cost report by most county boards of education).

Cost Settlement Example – Receivable Situation

Below is an example of an actual cost settlement where DHHR owes the county board of education money.

District Name: XXXXXXXX
Cost Report Period: Jul 01, 2014 - Jun 30, 2015

Cost Settlement Summary

1. Total Computable Medicaid Allowable Costs	$662,043.82
Direct Service$347,162.41 Personal Case$0.00 Targeted Case Management$94,484.59 Specialized Transportation$220,396.82	
2. July-September FMAP (#1 * 25% * 71.09%)	$117,661.74
3. October-June FMAP (#1 * 75% * 71.35%)	$354,276.20
4. Gross Cost Settlement Amount (#2 + #3)	$471,937.94
5. Total Medicaid Paid Claims	$296,034.53
Direct Service$34,860.48 Personal Care$684.88 Targeted Case Management$122,776.96 Specialized Transportation$137,712.21	
6. Net Cost Settlement Amount (#4 - #5)	$175,903.41

Comparing the computed Medicaid allowable costs from the top section of the cost settlement to the total Medicaid paid claims in the bottom section of the cost settlement on a cost pool by cost pool basis shows which areas caused the receivable situation. From the chart below, it is clear that the primary area where the county is due additional funding is the Direct Service pool.

Category	Medicaid Allowable Cost	Gross Settlement Amount (after FMAP %)	Total Medicaid Paid Claims	Cost Settlement
Direct Service	347,162.41	247,474.73	34,860.48	212,614.25
Personal Care	-	-	684.88	(684.88)
TCM	94,484.59	67,353.34	122,776.96	(55,423.62)
Specialized Transportation	220,396.82	157,109.87	137,712.21	19,397.66
Total	662,043.82	471,937.94	296,034.53	175,903.41

The Direct Service Pool encompasses a variety of services – Speech Therapy, Occupational Therapy, Physical Therapy, Psychology Services, Nursing Services, etc. Based on the RMTS response rate, 43.48% of the salary for direct service providers was deemed allowable for cost reporting purposes. In a situation where a contracted service provider is used, the RMTS percentage is not applied, so 100% of the cost flows through to the next step of the cost report. Because staff service providers have both the RMTS percentage and the IEP ratio applied and the contracted services only have the IEP ratio applied, county boards of education receive a higher overall portion of the cost of contracted services than the cost of employees.

Other Important Considerations for Direct Services:

- It is assumed that contracted service providers are only billing the county boards of education for the time spent performing direct services with students. Contracts with your service providers need to be structured accordingly. If upon audit PCG and DHHR find that contracted service providers are billing for items considered to be administrative in nature (training time, travel time, paperwork completion time, etc.), it is possible that the State Plan could be opened again to change the cost report methodology to require the RMTS percentage to be applied to contractors as well.

- Although it may result in higher Medicaid allowable costs on the annual cost report to use contracted service providers, all county boards of education must consider many factors before switching from employees to contracted services. Examples include, but are not limited to, the following:

- Contracted services are typically more expensive than employees, so it still may be less expensive on the general fund in total to use employees even though you receive less in Medicaid reimbursement.

- For counties that are right at formula for the number of personnel employed, use of contracted services currently does not count towards the calculation of state aid funding. To maximize state aid funding, county boards would need to still need to employ enough personnel to be at the number calculated based on the personnel limits. This makes the full cost of the contracted service providers be paid entirely from local funds where it could be possible to have employees funded through state aid funding.

- Some county boards may only be able to afford to pay for contracted service through their federal IDEA funds. Although this means that Medicaid cannot be billed, those services are being covered 100% through federal grant funds which may be better overall in the financial picture for a county board of education.