

NORTH CAROLINA SCHOOL BASED TIME STUDY

Introduction

North Carolina has operated a Medicaid Administrative Claiming (MAC) program since 1999. In the beginning the methodology was based upon two Cost Allocation Plans (CAPs). The Centers for Medicare and Medicaid Services (CMS) issued federal guidelines for the program in May 2003 entitled: “Medicaid School-Based Administrative Claiming Guide.” Based upon the guidance outlined in the Guide, North Carolina submitted a single CAP to CMS in October 2004 and gained CMS approval in February 2007 with an original effective date of October 2003.

North Carolina has 100 counties, 115 public school districts and 3 State owned schools. The State-owned schools include the Western and Eastern Schools for the Deaf and the Governor Morehead School for the Blind. The state owned schools are counted as one (1) district. **Currently 112 public school districts participate in the MAC program with 98 public school districts participating in the Fee for Service (FFS) program.** All State-owned schools participate in both the MAC and FFS programs.

Background:

Local Education Agencies (LEAs) participating in the MAC program in North Carolina must meet specific requirements. Every agency, which intends to draw down MAC reimbursement, must have an authorized interagency agreement, and participate in the MAC uniform time study. North Carolina implemented a CMS approved Random Moment Time Sampling (RMTS) effective October 1, 2007. RMTS is believed to be more accurate and less administratively burdensome. CMS indicated “prior approval was not necessary” for North Carolina to implement RMTS; however, if any changes are made to the proposed time study methodology after October 1, 2007, which would result in an adjustment, the CMS-approved time study methodology will be applied retrospectively to any prior period costs and/or claims.

Program Organization:

The North Carolina Division of Health Benefits (DHB) has an interagency agreement with the Department of Public Instruction (DPI). Note: Effective August 1, 2018, the North Carolina Division of Medical Assistance (DMA) became the North Carolina Division of Health Benefits (DHB).

- DPI serves as payment distribution agent for the Local Education Agencies (LEA) participating in MAC
- DPI provides project administration and general oversight to the LEAs
- DPI provides technical assistance and claims review functions for the LEAs participating in MAC.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

- LEAs participating in MAC enter into agreements with DPI to become MAC participants.
- DHB oversees administration of MAC, including payment of claims, issuing financial policy, and review of DPI monitoring efforts.

The LEAs contract individually with consultants/vendors also referred to throughout this document as the LEA Contractor and/or LEA Administrator. The contract term for the consortium is for a three-year term. In addition, once the contract is nearing the end date, the consortium lead can then decide to extend the contract on behalf of the entire consortium for an additional three years. Districts have the option of dropping out at any time if they no longer want to participate in MAC, but are obligated to participate in the consortium as long as they bill MAC during the contract period (i.e. Districts cannot switch vendors in the middle of a school year or during the contract period).

For the other grouping of districts, the contracts are annual renewal contracts. Some are renewed automatically and some have to be re-signed each year. All clients have a 30-day out clause at anytime. If a district makes the decision to work with another vendor, the district has to provide the current vendor with written notice and a contract end date. Per the current contract, the current vendor will finalize the district's billing/claiming by the contract end date. A new vendor cannot begin work until after the contract with the current vendor has expired. Hence, a district can only be contracted with one vendor at a time.

Time Study Methodology

The purpose of the time study is to (1) identify the proportion of administrative time allowable and reimbursable under the MAC program and (2) identify the proportion of direct service time allowable and reimbursable under Medicaid to be used for Direct Service or Fee for Service (FFS) cost reporting to enable the State of North Carolina to conduct a cost settlement at the end of the state fiscal year for the FFS program.

In most school districts, it is uncommon to find staff whose activities are limited to just one or two specific functions. Staff members normally perform a number of activities, some of which are related to the direct covered services and some of which are not. Sorting out the portion of worker activity that is related to these direct covered services and to all other functions requires an allocation methodology that is objective and empirical (i.e., based on documented data). Staff time has been accepted as the basis for allocating staff cost. The federal government has developed an established tradition of using time studies as an acceptable basis for cost allocation.

A time study reflects how workers' time is distributed across a range of activities. A time study is not designed to show how much of a certain activity a worker performs; rather, it reflects how time is allocated among different activities. As stated previously, the state will utilize a Random Moment Time Study (RMTS) methodology at which time all LEAs

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

who participate in both the MAC and FFS programs will be required to participate in the RMTS methodology of time study.

Each consortium or grouping of school districts will administer the RMTS sample, under the review and monitoring of DHB. There are two (2) “statewide” time studies that take place per quarter. Both the consortium and the other grouping’s time study will be equivalent in size due to the student population represented by each consortium or grouping of districts.

Currently, North Carolina does not require LEAs to participate in either the MAC or FFS programs. Participation in either program is optional. For districts participating in only the FFS program or participating in both the MAC and FFS programs a cost reconciliation will be conducted. For districts participating in only the MAC program, there will be no cost reconciliation process since these districts are only billing for Medicaid Outreach, Referral and General Administration.

Once MAC claims are submitted to DHB for review and approval, there is a procedure in place to verify which LEAs have billed FFS for the appropriate period. If it is determined the LEA **has not billed FFS** during the period of the claim, only time study activity codes **1.b.--Medicaid Outreach, 2.b.—Facilitating Medicaid Eligibility Determination and 10--General Administration are reimbursable.** If it is determined the LEA **has billed FFS** during the period of the claim, assuming the costs are allowable, any of the activity codes may be populated. The time study coding structure is such that activities reimbursable in one program cannot be claimed in the other program. All codes are only reimbursable as indicated in the CMS Admin Claiming Guide, dated May 2003. North Carolina’s position is such that if an LEA does not bill for a direct cost, then there would not be any admin related cost to support it, hence, if the LEA did not bill FFS only allowable costs for outreach and referral are reimbursable. **Beginning with the quarter April 1, 2020, the FFS participation requirement is end-dated in this plan and no longer applicable for districts to be eligible for full reimbursement of their MAC activities for the same quarter.**

Time Study Participants

All school districts that participate in the time study will identify allowable Medicaid direct service and administrative costs within a given district by having staff who spend their time performing those activities participate in a quarterly time study. These districts must certify that any staff providing services or participating in the time study meet the educational, experiential and regulatory requirements.

The following categories of staff have been identified as appropriate participants for the North Carolina time studies. Additions to the list may be dependent upon job duties.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

The decision and approval to include additional provider types requires an amendment to the existing state plan, which would be submitted to CMS by DHB and involves CMS coverage staff, as well as, other federal review staff.

This does not include individuals such as parents or other volunteers who receive no compensation for their work; this would include in-kind “compensation”. For purposes of this implementation plan, individuals receiving compensation from school districts for their services are termed “school district staff”. All staff will be reported into one of two cost pools: a Direct Service and Administrative Providers” cost pool and an “Administrative Services Provider Only” cost pool. **The two cost pools are mutually exclusive, i.e., no staff should be included in both pools.** The following provides an overview of the eligible categories in each cost pool.

Cost Pool 1 (Direct Service & Administrative Providers)

- Licensed Audiologist
- Licensed Speech / Language Therapist
- Licensed Speech / Language Therapist Assistants
- Licensed Occupational Therapists
- COTAs (Certified Occupational Therapy Assistants)
- Licensed Physical Therapists
- Licensed Physical Therapy Assistants
- School Nurses, RN
- School Nurses, LPN
- Licensed Clinical Social Workers
- Licensed Psychologist
- Licensed Psychological Associate
- Licensed School Psychologist

Cost Pool 2 (Administrative Service Providers Only)

- School Social Workers
- School Counselors
- Psychologist Interns
- School Early Identification Personnel
- Early Intervention/Special Education Placement
- Special Education – Support Technicians
- Pupil Support – Technicians
- Special Education Administrators
- Pupil Support Services Administrators
- School Bilingual Assistants
- Health Services Special Education Teachers
- Interpreters & Interpreter Assistants
- And other groups/individuals that may be identified by the school district

Staff with job titles in both cost pools 1 & 2, are not automatically included in the time study. A district must determine whether they meet all requirements above and if they are less than 100% federally funded. Individuals that are 100% federally funded will be excluded from the time study. All criteria must be met in order to be included in the time study.

Two mutually exclusive time studies, described below, will be conducted for the Direct Services and MAC programs. Although some staff may perform both direct services and MAC related activities, they will only be allowed to participate in one of the two time studies. For Direct Service staff that also performs MAC activities, the direct services time study will be used to identify the claimable activities for both programs. MAC claimable time will only be included on a MAC cost report and will not be reimbursed through the Direct Services Program. Each time study has two (2) cost pools that are made up as follows:

- The first cost pool is comprised of direct service staff, including those who conduct both direct services and administrative claiming activities as well as direct service only staff, and the respective costs for these staff.
- The second cost pool is comprised of administrative claiming staff only and the respective costs for these staff.

Therefore, the two universes of time study participants and associated cost pools are mutually exclusive and the only direct costs that can be claimed under Medicaid related to this program are derived from the two cost pools described above.

Random Moment Time Study (RMTS)

The RMTS method polls participants on an individual basis at random time intervals over a given time period and totals the results to determine work effort for the entire population of eligible staff over that same time period. The RMTS method provides a statistically valid means of determining what portion of the selected group of participant's workload is spent performing activities that are reimbursable by Medicaid.

TIME STUDY START AND END DATES

Each federal quarter, the dates that school districts will be in session and for which their staff members are compensated will be determined. District staff members are paid to work during those dates that districts are in session: as an example, districts may end the school year sometime in May each year. All days including and through the end of the school year would be included in the potential days to be chosen for the time study. Each quarter, district calendars will be reviewed to determine those dates that the schools pay for their staff to work, and those dates will be included in the sample. Since school calendars change on an annual basis, the school calendars will be evaluated on an annual basis and the sample dates will be determined and documented.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

A representative sample of district calendars will be reviewed each quarter to determine the most common begin and end dates for sampling purposes. **At a minimum, the eligible sample dates will be based off of the calendars for at least 25% of statewide district staff.**

Sampling Requirements (RMTS)

In order to achieve statistical validity, maintain program efficiencies and reduce unnecessary district administrative burden a consistent sampling methodology for all activity codes and groups will be used. The RMTS sampling methodology is constructed to achieve a level of precision of +/- 2% (two percent) with a 95% (ninety-five percent) confidence level for activities. While the 2003 guide specifically allows for a 5% precision level and this level meets both the guide requirements and DHB's goals for an efficient and simplified sampling process, the DHB sampling methodology is constructed at the 2% precision level based on preferences stated by CMS. **This sampling methodology will be followed by each consortium or grouping of districts in order to achieve a statistically valid sample and time study results by each consortium or group. Each consortium is pulling a statistically valid sample as outlined in the sampling process below.**

Statistical calculations show that a minimum sample of 2401 completed moments each quarter, per cost pool, is adequate to obtain this precision when the total pool of moments is greater than 3,839,197. Additional moments are selected each quarter to account for any invalid moments. Invalid moments are moments not returned or inaccurately coded.

The following formula is used to calculate the number of moments sampled for each time study cost pool:

$$ss = \frac{Z^2 * (p) * (1-p)}{c^2}$$

WHERE:

Z = Z value (e.g. 1.96 for 95% confidence level)
 p = percentage picking a choice, expressed as decimal
 (.5 used for sample size needed)
 c = confidence interval, expressed as decimal
 (e.g., .02 = ±2)

CORRECTION FOR FINITE POPULATION

$$\text{new ss} = \frac{\text{ss}}{1 + \frac{\text{ss}-1}{\text{pop}}}$$

Where:

pop = population

The following table shows the sample sizes necessary to assure statistical validity at a 95% confidence level and tolerable error level of 2%. Additional moments will be selected to account for unusable moments, as previously defined. An over sample of 15% will be used to account for unusable moments.

N=	Sample Size Required	Sample Size plus 15% Oversample
100,000	2345	2697
200,000	2373	2729
300,000	2382	2739
400,000	2387	2845
500,000	2390	2849
750,000	2393	2852
1,000,000	2395	2854
3,000,000	2399	2859
>3,839,197	2401	2860

North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement

RMTS Process & Notification

The RMTS process is described here as four steps:

1. Identify total pool of time study participants
2. Identify total pool of time study moments
3. Randomly select moments; randomly match each moment to a participant
4. Notify selected participants about their selection

Identify Total Pool of Time Study Participants

At the beginning of each quarter, participating districts submit a staff roster (Participant List) providing a comprehensive list of staff eligible to participate in the RMTS time study. This list of names is subsequently grouped into job categories (that describe their job function), and from that list all job categories are assigned into one of two “cost pools” for each LEA participating in the time study. There will be two mutually exclusive cost pools.

Identify Total Pool of Time Study Moments

The total pool of “moments” within the time study is represented by calculating the number of working days in the sample period, times the number of work hours of each day, times the number of minutes per hour, and times the number of participants within the time study. The total pool of moments for the quarter is reduced by the exclusion of weekends, holidays and hours during which employees are not scheduled to work.

Randomly Select Moments and Randomly Match Each Moment to a Participant

Once compiled, each cost pool is sampled to identify participants in the RMTS time study. The sample is selected from each cost pool, along with the total number of eligible time study moments for the quarter. Using a statistically valid random sampling technique, the desired number of random moments is selected from the total pool of moments. Next, each randomly selected moment is matched up, using a statistically valid random sampling technique, with an individual from the total pool of participants.

Each time the selection of a minute and the selection of a name occurs, both the minute and the name are returned to the overall sample pool to be available for selection again. In other words, the random selection process is done with replacement so that each minute and each person are available to be selected each time a selection occurs. This step guarantees the randomness of the selection process.

Each selected moment is defined as a specific one-minute unit of a specific day from the total pool of time study moments and is assigned to a specific time study participant.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

Each moment selected from the pool is included in the time study and coded according to the documentation submitted by the employee.

The sampling period is defined as the three-month period comprising each quarter of the Federal Fiscal Year calendar. The following are the Federal quarters followed for the MAC program:

- Quarter 1 = October 1-December 31
- Quarter 2 = January 1 – March 31
- Quarter 3 = April 1 – June 30
- Quarter 4 = July 1-September 30

The sampling periods are designed to be in accordance with the May 2003 Medicaid School-Based Administrative Claiming Guide, on page 42, Example 4, specifically:

“If the school year ends in the middle of a calendar quarter (for example, sometime in June), the last time study for the school year should include all days through the end of the school year. Therefore, if the school year ends June 25th, then all days through and including June 25th must be included among the potential days to be chosen for the time study.”

Each federal quarter, dates that school districts will be in session and for which their staff members are compensated will be identified. District staff members are paid to work during those dates that districts are in session; as an example, districts may end the school year sometime in May each year. All days including and through the end of the school year would be included in the potential days to be chosen for the time study. It is important to understand that although districts may end the school year prior to the close of the federal quarter staff members are paid for services provided through the end of the federal fiscal quarter. Districts typically spread staff compensation over the entire calendar year even when staff members are not working. The district considers this compensation reimbursement for time when staff members actually work rather than compensation for the staff members time off during the summer months.

The majority of LEA staff work during a traditional school year. Since the time study results captured during a traditional time study are reflective of any other activities that would be performed during the summer quarter, a summer quarter time study will not be conducted. North Carolina will use an average of the three (3) previous quarter's time study results to calculate a claim for the July-September period. This is in accordance with the May 2003 Medicaid School-Based Administrative Claiming Guide, page 42. Specifically:

“...the results of the time studies performed during the regular school year would be applied to allocate the associated salary costs paid during the summer. In general, this is acceptable if administrative activities are not actually performed during the summer break, but salaries (reflecting activities performed during the regular school year) are prorated over the year and paid during the summer break.”

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

Amendment 5 was made to revised and correct Amendment 4 to include an end-date of the Fee-for-Service Participation Requirement

State of Emergency Exception Section:

In the event that there is a “state of emergency” or other disaster declared in the State of North Carolina that results in prolonged school closures that impact the statistical validity of the RMTS as defined the Sampling Requirements (RMTS) section of this methodology under sampling precision and confidence level, DHB will apply the summer quarter claiming methodology to statistically invalid quarters occurring during the “state of emergency” including the quarter in which the state of emergency is declared and the quarter in which the state of emergency period ends. This means no RMTS will be run during the impacted quarter(s) and claiming will be based on the average of the quarters that were completed. North Carolina will notify CMS within 15 days of determining that a quarter is statistically invalid, including the reason for the determination, along with details and dates of the declaration of emergency.

Notify Participants about their Selected Moments

Email is the standard method by which time study participants are notified of their requirement to participate in the time study and of their sampled moment. In addition, districts have the ability to print out and forward paper notifications through their internal district carrier or email ADDITIONAL notification forms if they desire or have the need to do so. For example, if email is not available in a particular school, the LEA Coordinators at each district have the ability to print out notification forms and forward to the selected participants. Sampled participants will be notified of their sampled moment **no more than five (5) days prior to the sampled moment**. At the prescribed moment, each sampled participant is asked to record and submit his/her activity for that particular moment. Additionally, if the moment is not completed the participant receives a late notification within one (1) business day after their selected moments. Within two (2) business days after their sampled moment, if the time study participant has not yet completed their time study, the district’s LEA Coordinator receives an email notifying them so they can assist in following up. Throughout this entire process, the district’s LEA Coordinators have real-time access in the online system to view their sampled staff, the dates/times of their sampled staff’s moments, and whether or not the moment has been completed. Moments close after 5 business days, which means participants will not be able to complete their moment after that time. As explained on page 13, if the return rate of valid moments is less than 85% then, non-returned moments will be included and coded as non-allowable code until an 85% compliance rate is obtained

Compliance reports are run weekly by the RMTS Administrator and sent to the districts. The school districts also have the ability to run compliance reports on a daily basis. A validity check of the time study results is completed each quarter prior to the calculation of the claim. The validity check ensures that the minimum number of responses is

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

received each quarter to meet the required confidence level. The number of completed and returned time study moments is analyzed to confirm that the confidence level requirements have been met. Once the validity of the sample has been confirmed, the time study results are calculated and prepared for the calculation of the quarterly claim.

At the end of each quarter, once all random moment data has been received and time study results have been calculated, statistical compliance reports will be generated to serve as documentation that the sample results have met the necessary statistical requirements.

Training Types & Overview

Three types of training will be conducted for RMTS (1) LEA Coordinator training, (2) Central coding staff training and (3) Sampled staff training. The following is an overview of each training type:

LEA Coordinator Training (RMTS)

DHB will review and approve all RMTS training material used by the LEA contractor (s). Once the training material has been approved by DHB, the LEA contractor will provide initial training for the LEA Coordinators, which will include an overview of the RMTS software system and information on how to access and input information into said system. The LEA Coordinators will then be responsible for conducting training of the selected time study participants in the individual LEAs. It is essential for the LEA Coordinators to understand the purpose of the time studies, the appropriate completion of the RMTS, the timeframes and deadlines for participation, and that their role is crucial to the success of the program. Participants are to be provided detailed information and instructions for completing and submitting the time study documentation of the sampled moment. All training materials will be accessible to LEA Coordinators. In addition, annual training will be provided to the LEA Coordinators to cover topics such as MAC program updates, process modifications and compliance issues.

Central Coding Staff Training (Activity Coding)

Central Coders are employed by the LEA contractor and will review the documentation of participant activities performed during the selected moments and determine the appropriate activity code. In a situation when insufficient information is provided to determine the appropriate activity code, they will contact the LEA Coordinator at the individual LEA and request submission of additional information about the moment. Once the information is received the moment will be coded and included in the final time study percentage calculation. All moments will be coded separately by at least two coders as part of a quality assurance process. The moments and the assigned codes will be reviewed for consistency and adherence to the state approved activity codes.

DHB will provide training to the coding staff on an as needed basis, but at a minimum annually to discuss coding and any issues surrounding the coding of moments. Training will include an overview of activity codes, samples of activities, and appropriate processes for making coding determinations. The LEA contractor will also provide training to the coding staff both annually and on an as needed basis to discuss issues surrounding the coding of moments. Training will include an overview of activity codes, samples of activities, and appropriate processes for making coding determinations.

On a quarterly basis, DHB will review a five percent (5%) sample per vendor of the final coding process and original participant documentation for quality assurance to demonstrate the data submitted in the time study questionnaires support the code selected and therefore show the codes are valid and accurate. In addition to the quarterly review, at its discretion, DHB may review the completed coding and original participant documentation at any time throughout the claim process or as needed for further review or audit purposes.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

In addition to the 5% quarterly sample of final coding described above, DHB staff will conduct a 5% sample per vendor, per week, of all completed time study moments. If coding discrepancies or concerns are identified through the weekly review, the discrepancies will be addressed with the applicable vendor during the monthly conference call or as soon as possible for resolution. Based on the outcome of the discussion between DHB and the vendor, time study coding will be revised and/or areas of concern will be noted and documented with an explanation.

Sampled Staff Training

The LEA Coordinator for each LEA must ensure sampled staff receives training prior to the completion of the RMTS for his/her sampled moment. Since all RMTS responses will be reviewed by Central Coders, and these coders will subsequently select the appropriate activity code, the staff training will focus on program requirements and the completion of the RMTS survey. **The staff training will not include an overview of activity codes since all coding will be completed by Central Coders. The following items must be included in staff training:**

- Overview of the required process to participate in RMTS
- Review the standards for RMTS documentation submitted by staff
- Methods for requesting additional documentation from time study participants when insufficient information is provided to centralized coders to determine the appropriate activity code.
- The training must be provided quarterly, staff that has not received training cannot participate in the RMTS.
- LEAs must maintain documentation, that all staff participating in each quarter's time study received training.
- It is required that any training materials used by LEAs be submitted for review and comment to DHB.
- LEAs are encouraged to use and distribute any materials provided by the state regarding the time study.
- LEAs may use a variety of staff training methodologies. Some of these methods include, but are not limited to, on-site trainings, video conferencing, web-based, CD's, videos, and self-training (only after the completion of some form of interactive training has been completed).

DHB will be providing LEA training on an as needed basis through the coordination of DPI. DHB training will cover, but is not limited to, an overview of the Medicaid program for both MAC and FFS, the required documentation for billing purposes, the RMTS time study process, LEA monitoring requirements, and record retention and the CMS-approved cost report for School Based Services

Documentation (RMTS)

All documentation of sampled moments must be sufficient to provide answers to the time study questions needed for accurate coding:

- Who was with you?
- What were you doing?
- Why were you performing this activity?
- Was this activity covered in an IEP/IFSP?
- Was this activity covered in an IHP (Individual Health Plan) / BIP (Behavior Intervention Plan) / 504 Plan (Section 504 Accommodation Plan)?
- In addition, sampled staff will certify the accuracy of their response prior to submission

Time study participants certify the accuracy of his/her response prior to submission. In addition, moments are validated by DHB staff while conducting on-site audits and desk reviews. During on-site audits and desk reviews, DHB randomly selects and interviews time study participants by randomly selecting dates and times during the time study and asking the participant to describe the activity they were performing. The participant's answer is then compared to how the moment was coded.

Additional documentation maintained by the LEA contractor includes:

- Sampling and selection methods used,
- Identification of the moment being sampled, and
- Timeliness of the submitted time study moment documentation.

Invalid moments are moments not returned by the LEA or moments that were not accurately coded by the coders. Moments that have been inaccurately coded will be returned to the school district for correction, and every effort will be made to obtain the corrected valid moment from the district.

Time Study Return Compliance

DHB will require an 85% compliance response rate. Moments that have been inaccurately coded will be returned to the school district for correction, and every effort will be made to obtain the corrected valid moment from the district. Moments not returned or not accurately completed and subsequently resubmitted by the school district will not be included in the database unless the return rate for valid moments is less than 85%. **If the return rate of valid moments is less than 85% then, non-returned moments will be included and coded as a non-allowable code until an 85% compliance rate is obtained.** To ensure that enough moments are received to have a statistically valid sample, North Carolina should over sample at a minimum of fifteen percent (15 %) more moments than needed for a valid sample size. **LEAs must submit**

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

completed moments within 5 business days after the sampled moment has passed.

To assure that districts are properly returning sample moments, the district's return percentage for each quarter will be analyzed. If a district has non-returns greater than 15% and greater than five (5) moments for a quarter, the district will receive a warning letter. DHB will be copied on all warning letters sent to the districts. If the same district is in default the next quarter after being warned, they will not be able to participate for a one year period of time.

For instance, if a district has non-returns greater than 15% and greater than five (5) moments for the quarter ended December 31, 2006 and March 31, 2007, the district will not be able to submit claims for the Federal Fiscal Year ending September 30, 2007, and will need to return any interim payments sent to the district by the DPI for the Federal Fiscal Year under the Direct Services (FFS Program).

Each quarter a sampling of time study data should be monitored and reviewed by the RMTS Administrator at a supervisory level and DHB to ensure what the sampled staff wrote corresponds with what the Central Coders coded to 4.B. (Direct Medical Services – Covered as IDEA/IEP). This is in relation to how the RMTS participants answered the RMTS questions. This selection will represent no more than five percent (5%) of all moments coded to 4.B.

Time Study Activities/Codes

The time study codes are assigned indicators that determine its allowability, federal financial participation (FFP) rate, and Medicaid share. A code may have one or more indicators associated with it. These indicators should not be provided to time study participants.

The time study code indicators are:

Application of FFP rate	50 percent	Refers to an activity that is allowable as administration under the Medicaid program and claimable at the 50 percent non-enhanced FFP rate.
Allowability & Application of Medicaid Share	U	Unallowable – refers to an activity that is unallowable as administration under the Medicaid program. This is regardless of whether or not the population served includes Medicaid eligible individuals.
	TM	Total Medicaid – refers to an activity that is 100 percent allowable as administration under the Medicaid program.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

Amendment 5 was made to revised and correct Amendment 4 to include an end-date of the Fee-for-Service Participation Requirement

	PM	Proportional Medicaid – refers to an activity, which is allowable as Medicaid administration under the Medicaid program, but for which the allocable share of costs must be determined by the application of the proportional Medicaid share (the Medicaid eligibility rate). The Medicaid share is determined as the ratio of Medicaid eligible students to total students.
	R	Reallocated – refers to those general administrative activities which must be reallocated across the other activity codes on a pro rata basis. These reallocated activities are reported under Code 10, General Administration.

Effective October 1, 2018 the following time study codes are to be used for the Random Moment Time Study:

Code	Activity	MAC Indicator(s)
1.a	Non-Medicaid Outreach	U
1.b	Medicaid Outreach	TM/50%
2.a	Facilitating Non-Medicaid Eligibility	U
2.b	Facilitating Medicaid Eligibility Determination	TM/50%
3	School Related & Educational Activities	U
4.a	Direct Medical Services – Not Covered as IDEA/IEP/IFSP/IHP/BIP/504 Plan Service	
4.b	Direct Medical Services – Covered as IDEA/IEP/IFSP Service	
4.c	Direct Medical Services – Covered as IHP/BIP/504 Plan Service	
5.a	Transportation Non-Medicaid	U
5.b	Medicaid Transportation	PM/50%
6.a	Non-Medicaid Translation	U
6.b	Medicaid Translation	50%
7.a	Program Planning, Development and Interagency Coordination Non-Medical	U
7.b	Program Planning, Development and Interagency Coordination Medical	PM/50%
8.a	Non-Medical/Non-Medicaid related Training	U

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

Amendment 5 was made to revised and correct Amendment 4 to include an end-date of the Fee-for-Service Participation Requirement

8.b	Medical/Medicaid related Training	PM/50%
9.a	Referral, Coordination, and Monitoring Non-Medicaid Services	U
9.b	Referral, Coordination, and Monitoring of Medicaid Services	PM/50%
10	General Administration	R
11	Not Paid/Not Worked	U

These activity codes represent administrative and direct service activity categories that are used to code all categories of claims. For all activity codes and examples, if an activity is provided as part of, or an extension of, a direct medical service, it may not be claimed as Medicaid Administration. The detail code definitions and examples may be found in Appendix A.

Submitting a Claim for Medicaid Administration

The MAC Program cost calculation has five components:

- Cost pool construction
- Allowable Medicaid administrative time
- The Medicaid Enrollment Rate (MER)
- The FFP
- Indirect cost rate (ICR)

Calculating the Claim

In very general terms, the federal share of the claim for Medicaid administration is calculated by:

Cost Pool Total	Multiplied by
% time claimable to Medicaid administration	Multiplied by
The Medicaid Enrollment Rate (MER) (where applicable)	Multiplied by
1 + Indirect Cost Rate (this percent is added to the value of the calculation at this stage in the process) equals the amounts of the claim request	Multiplied by
% FFP (50%)	

a) Cost pools

Cost pools have previously been explained

b) % Time Claimable to Medicaid Administration

The time study results are utilized to determine the amount or percent of time spent by school district personnel doing the identified outreach, care and coordination functions.

c) The Medicaid Enrollment Rate (MER)

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

The amount of the claim is affected by the MER. This factor is a critical component of the claim. MER data consist of eligibility information using the first and last month of the quarter to which it relates.

d) Federal Financial Participation (FFP) Rate

After the results of the time study are multiplied by the cost pool total, they are then multiplied by the 50% FFP

e) Indirect Cost Rate (ICR)

Indirect costs will be claimed as a part of the MAC Program. The State will use a consistent method to calculate the unrestricted ICR as outlined in OMB Circular A-87. Claims for the school district's indirect costs are only allowable when the entity has an approved indirect cost rate.

MAC Claim Development

Participating MAC LEAs will submit quarterly claims directly to DPI. DPI will forward the claims to DHB for review and approval for payment processing. The claims will be based on the quarterly costs, the time study, the Medicaid eligibility rate, the indirect cost rate (ICR) and the FFP.

MAC Medicaid Eligibility Rate (MER)

For many of the MAC activities performed by school district personnel the costs associated with these activities are only reimbursable to the extent they are allocable to the Medicaid enrolled population. Therefore, these activities will be adjusted by the MER. This adjustment factor or “discount” reflects the nature of the administrative activity and the targeted population to which the administrative effort is directed. The MER consists of eligibility information using the first and last month of the quarter to which it relates. The MER can be determined by computing, within the same time period, the fractional value. The fractional value is identified by dividing the total number of Medicaid eligible school age children (the numerator) for each county by the total Average Daily Membership (the denominator) for each county. This fractional value is applied to the total cost applicable to the DISCOUNT activity codes to determine the costs applicable to Medicaid administrative activities. The specific MERs will be calculated on a quarterly basis.

The MAC Medicaid eligibility rate calculation is:

$$\frac{[\text{Number of Medicaid Students}]}{[\text{Total Number of Students}]}$$

Financial Data

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

The financial data to be included in the calculation of the MAC claim are to be based on actual expenditures incurred during the quarter. These costs must be obtained from actual detailed expenditure reports generated by the provider's financial accounting system.

OMB Circular A-87 specifically defines the types of costs: direct costs, indirect costs and allocable costs that can be included in the program. Sections 1 through 42 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. The following items are considered allowable costs as defined and cited below by Uniform Guidance (2 CFR, Part 200). .

Direct Costs

Typical direct costs identified in Uniform Guidance include:

- Compensation of employees
- Cost of materials acquired, consumed, or expended
- Equipment
- Travel expenses incurred

Indirect Costs

Indirect costs included in the claim are computed by multiplying the costs by the LEAs' approved unrestricted indirect cost rate. These indirect rates are developed by the LEAs' state cognizant agency, North Carolina Department of Public Instruction (DPI), and are updated annually. The methodology used by the respective state cognizant agency to develop the indirect rates has been approved by the cognizant federal agency, as required by the CMS guide. Indirect costs are included in the claim as reallocated costs.

DHB will ensure that costs included in the MAC financial data are not included in the district's unrestricted indirect cost rate, and no costs will be accounted for more than once.

Unallowable Costs

Costs that may not be included in the claim are:

Direct costs related to staff that are not identified as eligible time study participants (i.e., costs related to teachers, cafeteria, transportation, and all other non-Medicaid administrative areas)

Costs that are paid with 100 percent federal funds

Any costs that have already been fully paid by other revenue sources (federal, state/federal, recoveries, etc.)

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

Revenue Offset

Expenditures included in the MAC claim are often funded with several sources of revenue. Some of these revenue sources require that expenditures be offset, or reduced, prior to determining the federal share reimbursable by Medicaid. These “recognized” revenue sources requiring an offset of expenditures are:

- Federal funds (both directly received by the district and pass through from state or local agencies)
 - State expenditures that have been matched with federal funds (including FFS). Both the state and federal share must be used in the offset of expenditures.
 - Third party recoveries and other insurance recoveries
- Claim Certification

LEAs will only be reimbursed the federal share of any MAC billings. The Chief Financial Officer (CFO), Chief Executive Officer (CEO), Executive Director (ED), Superintendent (SI) or other individual designated as the financial contact by the LEA will be required to certify the accuracy of the submitted claim and the availability of matching funds necessary. The certification statement will be included as part of the invoice and will meet the requirements of 42 CFR 433.51.

LEAs will be required to maintain documentation that appropriately identifies the certified funds used for MAC claiming. The documentation must also clearly illustrate that the funds used for certification have not been used to match other federal funds. Failure to appropriately document the certified funds could result in non-payment of claims.

Direct Service or Fee for Service (FFS) Medicaid Eligibility Rate

The direct service Medicaid eligibility rate will be calculated annually for each school district.

For Direct Medical Services covered on an IEP (Individualized Education Program) / IFSP (Individualized Family Service Plan), the numerator will be the number of Medicaid IEP/IFSP students who received a direct medical service and the denominator will be the total IEP/IFSP students who received the direct medical service.

$$\frac{\text{Total Number of Medicaid Students with IEP/IFSP containing covered services}}{\text{Total Number of Students with IEP/IFSP containing covered services}}$$

Effective 10/1/2018, for Direct Medical Services covered on an Individual Health Plan (IHP), BIP (Behavior Intervention Plan) or 504 Plan (Section 504 Accommodation Plan pursuant to 34 CFR §104.36) the numerator will be the total number of Medicaid students and the denominator will be the total number of students.

$$\frac{\text{Total Number of Medicaid students}}{\text{Total Number of Students}}$$

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

The MER for each of the Direct Services listed above are calculated separately for each school district. The MER for each of the Direct Services listed above are calculated annually following the end of the state fiscal year.

Documentation & Recordkeeping Requirements

It is required that all MAC LEAs maintain documentation supporting the administrative claim. The LEAs must maintain and have available upon request by state or federal entities the contract with the state to participate in the MAC program. Some documentation must be maintained quarterly. This information must be available upon request by state or federal entities. The quarterly requirements are outlined below.

Each participating LEA will maintain a quarterly audit file containing, at a minimum, the following information:

- A roster of eligible individuals, by category, submitted for inclusion in the participant sample pool
- Verification of compliance with training requirements by time study participants
- Financial data used to develop the expenditures and revenues for the claim calculations including state/local match used for certification
- Documentation of the district's approved indirect rate (if applicable)
- A copy of the completed and signed certification form

The State requires LEAs to maintain complete copies of all MAC claims and supporting documentation including time study results.

Retention period

Documentation must be retained for the minimum federally required time period. Federal guidelines (42 CFR 433.32) state the retention period is three years unless there is an outstanding audit. The state's requirement is for LEAs to maintain the administrative claiming documentation for five years or until such time all outstanding audit issues and/or exceptions are resolved.

Oversight and Monitoring

Federal guidelines require the oversight and monitoring of the administrative claiming programs. This oversight and monitoring must be done at both the LEA and state level.

State Level Oversight and Monitoring

The state is charged with performing appropriate oversight and monitoring of the time study and MAC program to ensure compliance with state and federal guidelines. DHB is the responsible agency for this required monitoring and oversight effort. DHB has Memorandum of Agreement (MOA) with DPI regarding Medicaid administrative

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020*

*Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

claiming. The MOA clearly states all parties' responsibilities. Please see MOA attached as Appendix C.

DHB will monitor and review various components of the MAC program operating in the state. The areas of review include, but are not limited to,

- Participant List – ensure only eligible categories of staff are reported on the participant list based on the approved RMTS categories in the implementation plan.
- RMTS Time Study – sampling methodology, the sample, and time study results
- RMTS Central Coding – review at a minimum a 5% sample per vendor, per quarter of the completed coding and original participant documentation for coding accuracy and validation.
- Training – Compliance with training requirements: Program Contact, and district staff
- Financial Reporting – Costs are only reported for eligible cost categories and meet reporting requirements.
- Documentation compliance

Frequency

All LEAs will be monitored at least once every three (3) years. This monitoring will consist of either an on-site, desk, or combination review. For this monitoring process, one quarter will be selected for in-depth review. Participating LEAs will be required to fully cooperate in providing information and access to necessary staff in a timely manner to facilitate these efforts. LEAs that do not fully cooperate in the review process may be subject to sanctions.

For other quarters, trends will be examined, for example, total costs in the claim, time study results, and reimbursement levels. Any significant variations from historical trending will be communicated to the LEAs for explanation of the variance.

DHB is in constant communication with the vendors, often daily, to discuss any issues that may arise. DHB will set up regular meetings and/or conference calls, (at least monthly) with the LEA Contractors to discuss time study trends, 85% LEA compliance level, coding and any other MAC or time study issues, etc.

The State will pursue remedial action for LEAs that fail to meet MAC program requirements or fail to correct problems identified during review. Examples of actions that will cause implementation of sanctions include, but are not limited to:

- Repeated and/or uncorrected errors in financial reporting, including failure to use the LEA Contractor provided financial reporting worksheets

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

- Failure to cooperate with state and/or federal staff during reviews or other requests for information
- Failure to maintain adequate documentation
- Failure to provide accurate and timely information to the LEA Contractor as required

Sanctions the state may impose include suspending payment of MAC claims, conducting more frequent reviews, and the recoupment of funds.

LEA Contractor Level Oversight and Monitoring

Quarterly Tasks

Training regarding RMTS

- Ensure district has participated in required RMTS training in order to participate in RMTS
- Review of RMTS compliance rate, ensure each district meets the 85% compliance level requirement
- Ensure LEA Coordinator understands how critical response rate is per district and that he/she is aware of applicable sanctions for non-compliance.

Roster Updates

- Prepare roster update and email to district contact
- Receive updated roster from district
- Review and QC updated roster
- Upload individual district rosters into database with all other participating districts

Time Study Tasks

- Randomly select time study participants from database
- Notify district contact of staff from their district who were selected for the quarter
- Notify selected participants no greater than 5 days prior to their selected moment and send reminders one business day after the moment if it has not been completed with a copy to the supervisor and/or district coordinator.
- Review documented responses and code time study received from selected participants. Conduct follow-up if necessary for the determination of the appropriate time study code.
- Quality Check received and coded time study data
- Follow up with participants who submitted incomplete data, correcting the data so it can be used.
- Scan all data and prepare it for the claim.

Financial Tasks

- Conduct financial training with district, as needed
- Prepare quarterly financial workbook and email workbook to designated financial contact.
- Receive completed workbook and QC for errors
- If necessary, resubmit to contact for revisions
- Prepare financial information for the MAC claim
- Prepare Certification of Public Expenditure (CPE) form and send to financial contact for completion.
- Receive completed CPE forms from district and submit to DPI

Miscellaneous Tasks

- Participate in quarterly MAC update meetings
- Answer general questions from district throughout the quarter
- Collect annual indirect cost rate (ICR) from district
- Obtain quarterly Medicaid Eligibility Rate (MER) from the State
- Obtain quarterly IEP Ratio from the State
- Run quarterly MAC claim and submit to DPI
- Send copy of claim to district for their records
- Follow up with DPI to ensure district receives payment
- Conduct quality assurance reviews, as needed
- Serve as liaison between district and DHB and DPI

Local LEA Level Oversight and Monitoring

Each LEA participating in the MAC program must take appropriate oversight and monitoring actions that will ensure compliance with MAC program requirements. Actions must be taken to ensure, at a minimum, that:

- The time study is performed correctly
- The time study results are valid
- The financial data submitted is true and correct
- RMTS training requirements are met
- Appropriate documentation is maintained to support the time study and the claim

Required Personnel

Each LEA must designate an employee as the LEA Coordinator or MAC Program Contact. This single individual is designated within the LEA to provide oversight for the implementation of the time study and to ensure that policy decisions are implemented appropriately. The LEA must also designate an Assistant LEA Coordinator to provide back-up support for time study responsibilities.

*North Carolina School Based Time Study
Amendment 5 Effective Date: April 1, 2020
Amendment 5 was made to revised and correct Amendment 4 to include an end-date of
the Fee-for-Service Participation Requirement*

