



October 17, 2014

The Honorable Dianne Feinstein
United States Senator
One Post Street, Suite 2450
San Francisco, CA 94104



RE: School Based Medi-Cal Administrative Activities (SMAA) Program

Dear Senator Feinstein:

As members of the California educational community, we would like to request your assistance with resolving serious problems around the School Based Medi-Cal Administrative Activities (SMAA) program, which is under the jurisdiction of the Centers for Medicare and Medicaid Services (CMS).

In California, 982 school districts participate in this program. The SMAA program helps to ensure that children are enrolled and retained in the Medi-Cal program, and able to access health services through their schools. Participating school districts and community colleges generate millions in federal funding to California. Fifty percent of the cost of the program is reimbursed by the federal government while the state's General Fund pays for the remainder.

CMS conducted a financial review of three SMAA programs in California in 2012 which revealed problems with two districts. As a result, CMS deferred school district claims for reimbursement for every district in California (except Los Angeles Unified School District and Santa Barbara County Education Office) even though there is no data to indicate that the problems identified in just two districts are occurring systematically across the state, or that there is systematic abuse. . . The deferral was both retroactive and prospective, has affected approximately \$800 million in payments to the schools, has impacted their outreach capacity and resulted in layoffs of staff providing health related services.

In September of 2014, CMS proposed to the state to release the deferred claims based on a tiered structure of payments back to districts. We are pleased that there has been movement by CMS and that their proposal will resolve the issue for many smaller districts that had the lowest claims. The claims of these districts represent about 10% of the total amount under deferral.

In a letter dated October 7, 2014, CMS provided a revised offer and required the State to respond by October 14, 2014. There was a meeting with school groups on October 10 asking for schools to support the settlement. There was no agreement that the education community would support paying 40% of claims to the largest districts with the greatest number of poor kids. We understand the need to get money out as quickly as possible to those schools with less than \$50,000 in claims who would receive 75-100 percent of claims as an interim payment. We can understand that CMS used the 40% figure since this is what DHCS proposed a 40% in their letter of September 25, 2014, to CMS without contacting the schools even though we carry the financial liability for the program. This percent is particularly troubling since the methodology for reconciliation is based upon a system that is not yet in place and the 60% owed to districts would not be available until 2018. As demonstrated in the table below, CMS' offer still does not address the impact of the deferral on school districts with the largest enrollments, most participating staff, highest levels of poverty and Medi-Cal enrollment and larger numbers of special education students in their student populations. These districts are more likely to be in urban or heavily populated areas of the state.

Amount of Claim	Deferred Invoices SFY 09-10 through 11/12	Interim Invoices SFY 12-13 and 13-14
Under \$25,000	100%	90%
\$25,001-\$50,000	1) Accept interim payment of 75% and agree to back casting 2) 75% or \$25,000, whichever is greater	75% of invoice with back casting
\$50,001-and over	Interim payment of 40% with back casting	40% of invoice with back casting

The CMS proposal has the unintended consequence of rewarding districts with the smallest claims and punishing those with large claims, with no consideration of a district's demographics. The larger districts are being asked to wait until 2018 to determine the final amount of their payment. This will be almost nine years from when the districts submitted their first deferred claims. Additionally, CMS has imposed criteria for the program retroactively, in particular the limitation on teacher participation. We believe this decision is short-sighted, and based on CMS' experience in a single school district.

Waiting another two years or possibly longer for the final settlement on the deferred claims is simply too long, given that California school districts are owed about \$800 million for this period.

While we have made progress, we ask you to support the following and to contact CMS on behalf of your school districts:

- CMS gave less than a week for a response from DHCS which did not give ample time for consultation and an outcome that was acceptable to all parties. The Department of Health Care Services and its school-based stakeholders appreciate CMS' concern about the possibility of widespread abuse in the system, and are right now working on a plan to test the reasonableness of the deferred claims using quantitative data. Any outlier districts will be subject to more intensive review, which will determine the final amount of their payment.
- Immediately pay claims under \$25,000 at 100% of the original invoice amount with no reconciliation required-exactly as the state laid out in the current proposal. These claims are often from small or rural school districts.
- For all claims in excess of \$25,001 immediately pay 75% of the original claimed amount and grant the State time to submit a proposal for settling the remaining 25%.The proposal will include input from stakeholder groups to the California Department of Health Care Services.
 - Under the CMS proposal, each claim must be sorted by tier (see above) before it can be paid. We are suggesting that the flat percentage of 75% would simplify the interim payment process considerably and limit additional paperwork requirements that would be placed upon districts.

- The current proposal already approves interim payments at 75% for claims between \$25,001 and \$50,000; our proposal simply extends this to claims over \$50,000 and until the new methodology has been implemented. The 40% amount proposed by DHCS is unacceptable.
- Revise the list of job classifications - who can participate in the program, both retrospectively and prospectively, and recognize the critical role community colleges play in the enrollment and retention of students in the Medi-Cal program.
 - Further issues such as who can claim under the new methodology and program have not been resolved. Classifications such as classroom teachers, health care aide, paraprofessionals, and special education directors are left off the list of those who can participate in the program. This list needs to be revised to recognize the diversity of job classifications who do this work in California. The current list duplicates the list approved for Los Angeles Unified School District and does not reflect what occurs in smaller districts or the community colleges.
- Ensure that all payments under deferral through 2012 be based upon the above formula and for those under \$50,000 be paid by December 31, 2014, and over \$50,000 by March 31, 2015.

We are asking that the California Congressional delegation help California's thousands of schools and millions of students by interceding with CMS to ensure that the needs of our local school districts, community colleges, and county offices of education are met.

Please contact Cindy Mann Director of the Center for Medicaid and CHIP Services and Tim Hill of the Financial Management Group within CMS, and ask that they accept the proposed changes to the SMAA proposal which will resolve the issue for your constituents. If you need any additional information on California's efforts or have questions regarding the content of this letter, our districts or organizations would be happy to assist you.

Sincerely,



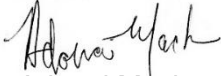
Estelle Lemieux
California Teachers Association



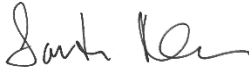
Dolores Duran-Flores
California School Employees Association



Erika K. Hoffman
California School Boards Association



Adonai Mack
Association of California School Administrators



Sandra S. Morales
California County Superintendents Educational Services Association

CMS PROPOSAL FOR DEFERRED SMAA CLAIMS

For claims from 2009-12:

Invoices at 25,000 and under	Pay whole claim
Invoices from 25,001 to 50,000	75% of invoice amount w/ back casting OR a flat 75% or 25,000 whichever is lowest
Invoices from 50,001 to 250,000	40% of invoice amount w/ back casting
Invoices over 250,000	25% of invoice amount w/ back casting

For claiming units that are no longer participating in the program: A flat settlement w/ percentages 5% less than the percentages above w/ no back casting.

For 2012-13 and 2013-14:

Invoices at 25,000 or under	90% of invoice w/ back casting
Invoices from 25,001 to \$50,000	75% of invoice w/ back casting
Invoices from 50,001 to 250,000	40% of invoice w/ back casting
Invoices over 250,000	25% of invoice w/ back casting

For 2014-15:

The RMTS method at 100%

BACK CASTING: Use 4 quarters of claiming under Random Moment Time Survey (RMTS).

- 1st quarter – 3rd quarter of 14/15
- 2nd quarter – 4th quarter of 14/15
- 3rd quarter – 2nd quarter of 15/16
- 4th quarter – 3rd quarter of 15/16

No comments were made on the impact of back casting with LEAs being grouped together and how that would work.

DHCS will be posting something in the next week or two on this proposal.