Advice to Guide You
Building a Strong Cost Allocation Plan Amendment for Medicaid Administrative Match for Quitline Services

In a letter to State Medicaid Directors on June 24, 2011, the Centers for Medicare & Medicaid Services (CMS) provided guidance on tobacco cessation quitlines as an allowable Medicaid administrative cost expenditure. This decision allows states to claim the 50 percent federal administrative match rate for quitline services provided to Medicaid enrollees.

Over the past two years, state tobacco control programs have taken great advantage of the guidance by CMS by building new relationships with their state Medicaid agencies or strengthening existing ones; engaging their state Medicaid agencies in a broader discussion of comprehensive cessation benefits for the Medicaid population of tobacco users; and most notably, building quitline sustainability efforts through public-public cost-sharing partnerships.

To move forward in drawing down federal funds to support quitline services to Medicaid enrollees (and to support quitline sustainability), a tobacco program MUST have a formal relationship with their state Medicaid agency, as federal CMS funds can only flow to a state Medicaid agency. A Memorandum of Understanding (MOU), contract, or interagency agreement is the mechanism by which the state Medicaid agency agrees to transfer those funds to the state tobacco program. Working out the details of the MOU, contract or interagency agreement is often the first step in the process. However, it is followed closely by the need to develop an amendment to the state Medicaid agency’s Public Assistance Cost Allocation Plan (CAP).

For “Advice to Guide You” on MOUs, click here.

WHAT IS A CAP?
A CAP is the tool by which a state Medicaid agency describes the procedures and methodologies used to identify, measure, and allocate specific administrative costs to claim federal grant award funds. When a state Medicaid agency plans to begin claiming new administrative costs, such as those associated with providing quitline services to Medicaid enrollees, they must amend their CAP to show the method(s) used to estimate claimable costs. The CAP amendment must also describe how the state Medicaid agency will ensure that only costs associated with Medicaid enrollees will be claimed.

GET A CLEAR UNDERSTANDING OF WHAT IS REQUIRED AND ALLOWED ON THEIR END.


The November 18, 2011 Quitline CMS Information Bulletin explains that if a tobacco cessation quitline serves Medicaid and non-Medicaid enrollees alike, states will need to have a claiming methodology in place to isolate costs that benefit the Medicaid program in accordance with OMB Circular A-87. In order to properly allocate costs related to quitlines, states can utilize a variety of methods; including, but not limited to: (1) a survey of callers to determine Medicaid eligibility, or (2) the calculation of a Medicaid eligibility ratio to determine the approximate percentage of Medicaid eligibles in the total universe of callers served by the

Sample Claiming Methodology for the CAP Amendment

The STATE X Tobacco Quitline serves both a Medicaid and non-Medicaid population. Upon intake to the program, callers are asked their insurance status and name of insurance. Monthly client utilization data is compiled from the intake survey. In the most recently-completed State Fiscal Year (SFY) 2011, the survey data indicates 30% of callers were Medicaid enrollees.

The Department of XXX proposes to continue the intake surveys and compilation of resultant client data, using the quarterly percentage of Medicaid callers to total callers as the Medicaid allocation factor against claimable Quitline expenditures. The Federal guidance specifically provides for allocation methods that may include a survey of callers or a calculation of a Medicaid eligibility ratio based on the total universe of callers.
YOU CAN’T DEVELOP A CAP AMENDMENT WITHOUT KNOWING WHAT COSTS CAN BE CLAIMED.

Medicaid administrative claiming is the payment of Federal Financial Participation (FFP), at different matching rates, for amounts “found necessary for the proper and efficient administration of the state Medicaid plan” (Section 1903(a)(7) of the Social Security Act). State and local governments allocate these administrative costs to the Medicaid program in accordance with the CAP. CAPs are approved by the U.S. Department of Health and Human Services (DHHS), Division of Cost Allocation (DCA) after CMS reviews and comments on the fairness of the allocation methods.

Allowable quitline expenditures are limited to personnel and salary costs associated with implementing and operating a tobacco cessation quitline to the extent it serves Medicaid enrollees. Allowable quitline expenditures should be reported on the Form CMS-64.10, Line 29 (Other Financial Participation). Remember, these are administrative costs, not direct services costs!

### Sample of Claimable Costs for the CAP Amendment

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quitline contractor, entire program</td>
<td>$2,200,000 total funds</td>
</tr>
<tr>
<td>Quitline Coordinator, salary &amp; fringe</td>
<td>$60,000 total funds</td>
</tr>
<tr>
<td>Total costs</td>
<td>$2,260,000 total funds</td>
</tr>
<tr>
<td>Estimated Medicaid allocation</td>
<td>30%</td>
</tr>
<tr>
<td>Medicaid claimable costs</td>
<td>$678,000</td>
</tr>
<tr>
<td>Times 50% Federal match</td>
<td>$339,000 Federal share</td>
</tr>
</tbody>
</table>

#### B) Indirect cost allocation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quitline Coordinator’s salary</td>
<td>$40,000</td>
</tr>
<tr>
<td>Estimated Medicaid allocation</td>
<td>30%</td>
</tr>
<tr>
<td>Medicaid portion</td>
<td>$12,000</td>
</tr>
<tr>
<td>Times Dept. of X rate 31.6% of salary</td>
<td>$3,792</td>
</tr>
<tr>
<td>Times 50% Federal match</td>
<td>$1,896 Federal share</td>
</tr>
</tbody>
</table>

UNDERSTAND THE PROCESS FOR FILING AN AMENDMENT TO THE CAP.

State Medicaid agencies do not have to submit an amendment to their state Medicaid plan in order to claim quitline expenditures as administration. However, they do need to amend their CAP, and this takes time.

First, a state Medicaid agency should submit a claiming methodology that identifies and isolates allowable quitline costs to CMS for review and approval (see green text box above). (Note: The tobacco program will most likely need and want to be a part of this process.) Once CMS approves the proposed methodology, they will ask the state Medicaid agency to amend its CAP on file with DCA to reflect the approved methodology. Remember, the CAP is the narrative description of the procedures that the state agency will use to identify, measure, and allocate costs, as specified at Subpart E of 45 CFR part 95 and referenced in OMB Circular A-87, Attachment D.

### Important Notes:

- In accordance with the statute, regulations and the Medicaid state plan, the state is required to maintain and retain source documentation to support Medicaid payments for administrative activities.
- Every state has a CAP on file with DHHS. This document is updated annually. NOTE: CMS can approve the claiming methodology but approval of the CAP amendment is under the auspices of DHHS DCA.
- It may take more time to get the CAP amendment approved; however, once CMS approves the claiming methodology (which is a much shorter process) a state is able to start claiming. CMS notes in its approval of claiming methodologies that the approval is conditional on subsequent approval of the CAP amendment.

DETERMINE HOW YOU ARE GOING TO PROVE THE COSTS YOU CLAIM AND MAKE SURE MEDICAID UNDERSTANDS THEM.

CAP amendments must incorporate, by reference, the time study and cost allocation methodologies adopted by the state Medicaid agency to develop and document administrative claims. The CAP amendment must make explicit reference to the methodologies, claiming mechanisms, MOUs, and other relevant issues that will be used for submitting Medicaid administrative claims and appropriately allocating costs.

In the CAP amendment be clear about the source document(s) / tracking data that will serve as the basis for the Medicaid / non-Medicaid allocation, how that data is gathered, and how it will be applied. If at all possible, base the allocation on data that is updated quarterly and can be readily audited. State tobacco programs are relying heavily on client intake data, reported quarterly, that shows the number of callers reporting Medicaid as their insurance provider.

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HELP THEM HELP YOU.
Be clear on the financial impact to your state Medicaid partner. For example, be sure to highlight the estimated federal fund reimbursement and any estimated growth in the next five years. When projecting growth in the next five years remember to take into account changes coming as a result of healthcare reform.

Not sure how the Affordable Care Act impacts Medicaid coverage of tobacco cessation? Here are some helpful, easy-to-use resources:

**Tobacco Cessation Treatment and Medicaid in the Affordable Care Act**
American Lung Association

**Summary of Selected Tobacco, Prevention, and Public Health Provisions from H.R. 3590, the Patient Protection and Affordable Care Act, and H.R. 4872, the Health Care and Education Reconciliation Act of 2010 signed into law March 23, 2010 and March 30, 2010 respectively**
University of Wisconsin Center for Tobacco Research and Intervention (UW-CTRI)

**Medicaid Expansion Under the Affordable Care Act**
Kaiser Family Foundation

DETERMINE IF SOMETHING ALREADY EXISTS THAT MIGHT PROVE HELPFUL.
Determine if your state Medicaid agency has an existing administrative claiming methodology that could be utilized as a template for the CMS application. If an existing template can be utilized, request a sample and work with Medicaid budget personnel to fill it out appropriately. Be sure to use reports from your quitline service provider to help build the claiming methodology!

*NAQC is here to help you when you need us!*
Lastly, it is important to remember that NAQC staff are here to help guide you through this sometimes-lengthy process. We have contacts at CMS and other national partner organizations who are always willing to offer guidance and clarification. We support an ongoing Medicaid Learning Community that meets in monthly strategy huddles to support and encourage progress on partnership with state Medicaid agencies. We are here to connect you to peers, data, tools and resources and a helping hand. Contact Tamatha Thomas-Haase at tthomas-haase@naquitline.org when you need to!

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