



# Colorado Behavioral Healthcare Council

Updating the Mental Health Accounting and Auditing  
Guidelines

Presentation at CBHC Annual Training Conference

October 2, 2009

# Project Overview

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- Late 2008 - HCPF Issued an Request for Documented Quotation for Updating the Mental health Accounting and Auditing Guidelines
- January 14, 2009 - Proposals Due
- February, 2009 – PCG awarded contract
- February 24, 2009 – Project Kick-off
- June 19, 2009 – Final Draft of Updated Guidelines
- Guideline in Place for FY10
- Not All Issues Addressed; Need for On-going, Annual Updating

# PCG Background Information

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- Who is Public Consulting Group?
  - PCG, founded in 1986, provides management consulting and technology services to help public sector education, health, human services, and other government clients achieve their performance goals and better serve their target populations.
  - PCG is headquartered in Boston, Massachusetts with offices across the US, including Tallahassee, Florida.
- PCG has extensive experience in the health and human services field, including State agencies, public facilities, and non-profit providers.
- PCG has deep financial, operational, and programmatic experience related to state and county service delivery systems.
- PCG has over 20 years of experience in human services, operational efficiency & effectiveness, business processes, research and analysis, and health care finance.

# Project Staff

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- Key Project Staff
  - Sean Huse, Associate Manager, 617-426-2026, [shuse@pcgus.com](mailto:shuse@pcgus.com)
    - Will serve as Project Manager
    - Has over 9 years of experience with cost reporting, strategic planning, and management reporting for mental health and substance abuse systems, agencies, and providers.
  - Arthur Lerman, Senior Consultant, 207-512-0640, [alerman@pcgus.com](mailto:alerman@pcgus.com)
    - Will facilitate the Stakeholder Input
    - Has over 20 years of experience in behavioral health and long-term care.
  - Keith Chernoff, Consultant, 617-426-2026, [kchernoff@pcgus.com](mailto:kchernoff@pcgus.com)
    - Will serve as Project Coordinator
    - Has 4 years of experience in cost reporting compliance, financial assessments and strategy development, and revenue enhancement
  - Allison Ryan, Business Analyst, 617-426-2026, [aryan@pcgus.com](mailto:aryan@pcgus.com)
    - Has over 2 years of experience in cost reporting and system redesign, including working with the CO HCPF School Health Services Program

# Review Project Goals

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- **Project Goal:**
  - To perform a comprehensive analysis of the current Mental Health Accounting and Auditing Guidelines, facilitate stakeholder discussion and assess and submit recommended changes, and create revised the Mental Health Accounting and Auditing Guidelines
- **Project Objectives:**
  - Conduct an in-depth review of the current Accounting and Auditing guidelines, including identification of additional services approved under the 1915(b)(3) waiver
  - Collaborate with RVU Contractor to develop cost allocation methodology and incorporate RVU pricing into updated guidelines
  - Facilitate discussions with stakeholders in order to solicit input and recommendations on updating the guidelines
  - Develop recommendations for the revision of guidelines, drawing upon PCG's expertise and experience in other states
  - Conduct a detailed review of each chapter of the guidelines to determine consistency with the new RVU system and cost allocation methodologies
- **Project Outcome:**
  - A completed update of the Mental Health and Accounting and Auditing Guidelines

# Project Timeline and Key Dates

Work Plan Project Phases	February	March	April	May
I. Project Kick-Off	◆			
II. Assessment of Mental Health Accounting and Auditing	—————▶			
III. Results of RVU Pricing Schedule	—————▶			
IV. Recommendations for Revisions to Guidelines	—————▶			
V. Revision to Other Applicable Sections	—————▶			
VI. Reasons For Differences in Base Unit Costs Amongst	—————▶			
VII. Recommendations for Internal Statistical and Financial	—————▶			
VIII. Final Updated Accounting and Auditing Guidelines	—————▶◆			
IX. Use of Resources and Facilitation of Stakeholder Discussion	—————▶			

- Submit Draft Guidelines April 6
- Provide Feedback to PCG April 20
- Submit Final Guidelines May 4
- Present Final Guidelines to Stakeholders May 15
- Final Draft of Guidelines June 15

# General Principles/Goals of the Project

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- Ability to Generate a Unit Price for Service Encounter Pricing Process
- Equity
- Efficiency
- Economy
- Quality of Care
- Access
- Accountability
- Transparency
- Simplicity
- Consistency in Reporting
- Ability to Reconcile Cost Report to Audited Financial Statements
- Consistency to extent possible between DBH & HCPF
- Update Language

# Stakeholder Group

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- Weekly Sessions on Tuesday from 9 AM to Noon; March 3 thru March 31
- Additional Sessions to review Final Drafts
- Participants:
  - Steve Cordova, Southeast Mental Health Services
  - Tina McCrory, Colorado Health Networks
  - Kimberly McKay, CPA, BKD
  - John Rattle, Northeast Behavioral Health
  - Rian Nowitski, BHI
  - Don Rice, CBHC
  - Dawn Romero, Southeast Mental Health Services
  - Wes Law, Community Reach Center
  - Brad Wilcox, San Luis Valley Mental Health Center
  - Carol Lipkowski, Community Reach Center
  - Andrew Martinez, DBH
  - Randall Deyle, DBH
  - Sharon Liu, HCPF
  - Sarah Campbell, HCPF
  - Jed Ziegenhagen, HCPF

# Stakeholder Input

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- Topics addressed at Stakeholder Group meetings included:
  - Relative Value Unit pricing schedule
  - Direct and Traceable Costs
  - Indirect and Administrative Expenses
  - Non-Mental Health Costs
  - Unit of service definitions
  - Position types for the purpose of reporting on direct labor costs per FTE
  - Base Unit Cost Calculation and Cost Report
  - Service Categories on Cost Report
  - Differentiate DBH from Medicaid Expenses
  - Service Categories without RVUs
  - Unallowable Costs
  - Capital Expenditures
  - Donated/Volunteer Costs
  - Use Allowance

# Major Accounting and Auditing Guidelines Updates

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- Chapter 1
  - Inserted language about the 2009 update and the change from unit cost pricing to an RVU-weighted pricing methodology
  - Adjusted language to reflect dual administration of mental health service delivery by both DBH and HCPF
  - Inserted language that calls for an annual revisiting and updating (if necessary) of the guidelines

# Major Accounting and Auditing Guidelines Updates

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## ■ Chapter 3

- Redefined Direct and Indirect Costs per OMB A-87
- Added Advertising and Public Relations, Goods and Services for Personal Use, Housing and Personal Living Expenses, and Selling and Marketing to the list of Unallowable Costs per OMB A-87 and A-122
- Adjusted definition of Depreciation to address Use Allowance and also to mandate that providers follow AHA guidelines when assessing Medicaid-allowable depreciation costs
- Adjusted definition of Rental Costs Under Less-Than-Arms-Length Leases or Related Party Transactions to limit allowable cost to operating cost of lessor, rather than rental cost of lessee.

# Major Accounting and Auditing Guidelines Updates

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- Chapter 5

- Defined the direct service cost centers to be used in the functional classification
- Wrote detailed instructions for completing the supplemental cost report

- Chapter 6

- Included OMB A-87, A-122 and the Medicaid Provider Depreciation Manual as references

# Major Accounting and Auditing Guidelines Updates

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- Chapter 13
  - Updated the terminology from MHASA to BHO
  - Consolidated all language describing the Medicaid Capitation Program into this chapter
  - Updated Millie schedules and language to reflect new BHO service categories
  
- Appendix
  - Created an appendix for all exhibits for better clarity and consistency

# Cost Report Schedules Overview

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- Supplemental cost report requires detailed reporting of expenses and utilization
- The schedules will capture data needed to calculate the base unit cost
- The provider will perform the functional expense classification
  - Salaries and wages
  - Staff travel costs
  - Purchased services
  - Direct operating costs

## Cost Report - Summary Report

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- Shows total allowable costs allocated to various payer sources
- Column 1: Total Allocated Costs from Schedule 4
- Column 2: Unduplicated clients served
- Column 3: Calculates average cost per client

# Cost Report - Schedule 1

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- Records the trial balance for the provider at the end of the reporting period
- Costs come directly from the Provider's trial balance
- The line numbers and cost center descriptions cannot be changed or modified
- Total lines are automatically calculated

## Cost Report - Schedule 2

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- Detail of DBH Contract-Funded Programs
- Requires providers to report the different contract funds received from DBH
- Providers should follow the same instructions as in schedule 1-but schedule 2 are not expected to reconcile to schedule 1
- Allows CMHC's to report units of services associated with DBH contract-funded programs

## Cost Report - Schedule 3 and 3A

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- Schedule 3-Indirect Allocation-automatically allocates the Indirect Expenses reported on Schedule 1
- Schedule 3A-Indirect Allocation Statistics-collects statistics allocation bases for the purposes of equitably allocating the Indirect Expenses
- Providers must maintain documentation of statistics and have them available upon request

## Cost Report - Schedule 4 and 4A

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- Schedule 4-Utilization - collects utilization data for Encounter-based Mental Health Services with RVU weights.
- Schedule 4A-Utilization-collects utilization data for Encounter-based Services with RVU weights for all services provided in a Facility setting.
- Units of service reported on schedule 4A should be in agreement with costs reported on Schedule 1.

## Cost Report - Schedule 5

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- Base Unit Cost Calculation
- Automatically calculates the provider-specific base unit cost and cost of encounters with the different payer sources
- Schedule 5 automatically populates

## Cost Report - Schedule 6 and 7

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- Schedule 6-Residential Services
- Requires providers to report on Residential Services in more detail
- Costs reported on Schedule 6 are expected to reconcile with the costs reported under “Encounter-based Residential Services without RVU Weights
- Schedule 7-Residential Services Detail
- Requires providers to report information about the Residential facilities in greater detail

# Questions

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- Questions and Comments