

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>hells</i>	DATE <i>2-25-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000442</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>CC: Ms. Forkner, Deps</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

Department of Health & Human Services
Centers for Medicare & Medicaid Services
Division of Medicaid & Children's Health Operations
61 Forsyth St., Suite 4120
Atlanta, Georgia 30303-8909



REPORT NUMBER: 04-FS-2007-SC-002

February 20, 2008

Ms. Emma Forkner, Director
South Carolina Department of
Health and Human Services
P.O. Box 8206
Columbia, South Carolina 29202-8206

Log: Wells
N/A
cc: EF, Dqs

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FEB 25 2008

Re: Final 2007 Financial Management Review Report -- 04-FS-2007-SC-002

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Ms. Forkner:

This letter encloses the final report for our FY 2007 Financial Management Review of South Carolina Fiscal Agent Cost Allocation. We reviewed the changes suggested by SCDHHS staff to our draft, which were incorporated into this final report. We appreciate the assistance of SCDHHS and fiscal intermediary (FI) staff in implementing the necessary updates to the FI cost allocation plans, and are currently collaborating to finalize these updates within the next few weeks.

If you have additional comments or questions concerning this review, please contact either Mark Halter, CMS South Carolina Financial Analyst, at (404) 562-7419, or Davida Kimble, Acting Manager, Financial and Program Operations Branch.

Sincerely,

Jim Gavens

Jay Gavens
Acting Associate Regional Administrator
Division of Medicaid and Children's Health

Enclosure

Review of South Carolina Fiscal Agent Cost Allocation

State Fiscal Years 2006 and 2007

Control Number **04-FS-2007-SC-002**

Date Issued: February 20, 2008

FINAL REPORT

The logo for the Centers for Medicare & Medicaid Services (CMS). It features the letters "CMS" in a large, bold, italicized sans-serif font. A horizontal line is positioned behind the letters, and a diagonal line crosses the bottom right of the "S".

CENTERS for MEDICARE & MEDICAID SERVICES

Prepared by:

Financial and Program Management Branch, North
Division of Medicaid and Children's Health Operations
Atlanta Regional Office

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EXECUTIVE SUMMARY

This review evaluated the cost allocation practices utilized by Blue Cross Blue Shield of South Carolina ("BCBSSC") and the Clemson University Computer Center (Clemson or CUCC), as fiscal agents performing Medicaid Management Information System ("MMIS") claims processing functions for the State of South Carolina, during SFYs 2006 and 2007. CMS and the South Carolina Department of Health and Human Services ("SCDHHS") have been in disagreement in recent years regarding compliance with Federal MMIS prior approval requirements, including the failure to submit advanced planning documents ("APDs") for renewal of MMIS contracts. APDs should include proposed procedures for distributing MMIS administrative costs.

Current contractor expenditure allocation practices at the time of the review were found to require revisions in order to comply with Federal regulations. There was no allocation of a portion of the MMIS expenditures to the processing of claims for the 100% State funded (non-Federally reimbursable) programs, or an allocation for the M-SCHIP claims. In addition, certain Medicaid expenditures were identified as being claimed at a higher, and, in some cases, lower rate of reimbursement than provided for under Federal regulations. CMS is currently working with the SCDHHS Bureau of Federal Contracts (BFC) and the fiscal agents to implement revised cost allocation methodologies.

Due to the necessary revisions in the cost allocation practices during SFYs 2006 and 2007, it was determined that the SCDHHS (BFC) should work with the fiscal agents in order to quantify the amounts of the related errors in claims for reimbursement on previous quarterly expenditure reports (Form CMS-64s and Form CMS-21s). The SCDHHS and the fiscal agents will review all financial records available to correct for claiming errors for as many fiscal years as possible preceding the period of the review. Subsequent to CMS-RO review and concurrence, prior period expenditure adjustments will then be included on future Form CMS-64 and 21 reports in order to correct for these claiming errors.

I. INTRODUCTION.

The Centers for Medicare and Medicaid Services, Atlanta Regional Office, completed a financial management review ("FMR") of the State of South Carolina's expenditure claiming practices for the costs of two Medicaid Management Information System ("MMIS") fiscal agent contractors -- Blue Cross Blue Shield of South Carolina ("BCBSSC") and the Clemson University Computer Center ("Clemson" or "CUCC"). The purpose of this review was to determine the proper allocation of expenditures for reimbursement at the Federally prescribed matching rates for these fiscal agents.

II. BACKGROUND AND LEGAL AUTHORITY.

Medicaid, enacted pursuant to Title XIX of the Social Security Act ("the Act") in 1965, is a Federal/State entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources. Medicaid is designed as a cooperative venture jointly funded by the Federal and State governments to assist States in furnishing medical assistance to eligible needy persons. In order to receive Federal Medicaid dollars, a State must meet the requirements of certain Federal laws and regulations in the operation of its programs.

A. Federal MMIS Prior Approval and Cost Allocation Requirements.

45 CFR 95, Subpart F requires that Advanced Planning Documents ("APDs") be submitted to CMS for prior approval by State Medicaid agencies ("SMAs") proposing to implement a Medicaid MMIS for the processing of claims, in order to ensure the proper and efficient operation of the program. APDs are utilized during the planning and implementation phases of an MMIS.

Among other requirements, Planning APDs must provide an estimated total project cost, as well as a prospective State and Federal cost distribution, including planning and implementation. 45 CFR 95.605(1)(iv). Similarly, Implementation APDs must include "[a]n estimate of prospective cost distribution to the various State and Federal funding sources and the proposed procedures for distributing costs." 45 CFR 95.605(2)(x). In addition, the State agency must submit Advanced Planning Document Updates (APD/Us) to CMS on both an annual and as needed basis, pursuant to 45 CFR 95.605(3) which contains similar requirements.

Cost Allocation Pursuant to APDs and Cost Allocation Plans ("CAPs").

Federal regulations, at 45 CFR 95.631, also require that SMAs submit APD/Us for prior approval of MMIS developmental ("DDI&E") and ongoing operational costs, in order to accomplish the following:

Developmental costs. Specifically identify what items of costs constitute development costs, assign these costs to specific project cost centers, and distribute these costs to funding sources based on the specific identification, assignment and distribution outlined in the approved APD.

Operational costs. Identify and assign costs incurred for the operation of the MMIS to funding sources in accordance with an approved cost allocation plan (pursuant to 45 CFR 95, Subpart E).

It is essential that APDs, with the required cost distribution proposals, be submitted for prior approval to CMS before the State enters into an MMIS contract with a fiscal agent. Failure to do so will result in the cost efficiency of the contracts lacking reliability -- with the potential for inaccurate claims for reimbursement for MMIS activities on the State's Form CMS-64 quarterly expenditure reports.

South Carolina MMIS Prior Approval and APD Compliance.

The Regional Office placed the South Carolina MMIS program under a Corrective Action Plan effective May 18, 2007 in order to correct ongoing issues with obtaining prior approval from CMS for MMIS Projects. It is anticipated that the Corrective Action Plan will be removed by December 31, 2007. South Carolina has made significant strides in developing a positive working relationship with the Regional Office and categorization of MMIS projects by risk assessment. Historically, the State and the Regional Office have disagreed over the need to receive prior CMS approval to execute an intergovernmental contract for services with Clemson University. The Regional Office wanted the State to perform a Cost Benefit Analysis on the contract with Clemson University. However, because the State affirmed that this was an intergovernmental contract and was not subject to CMS prior approval, such an analysis was not performed. Technological obsolescence of the Clemson system, in view of the new Medicaid Information Technology Architecture ("MITA") initiative, now requires that the State assess the system against state-of-the-art design and operational concepts. New

MMIS staff in the Atlanta Regional Office observed that neither the Clemson nor BCBSSC contracts had current Cost Distribution Plans and requested that the RO Medicaid Financial and Program Management Branch conduct this FMR.

B. Allocation of MMIS-Related Costs and Charges under an Approved MMIS.

Section 1903 (a)(3)(b) of the Act provides that FFP will be available to each state for those sums attributable to the operation of Medicaid mechanized claims processing and information retrieval systems that the Secretary determines are likely to provide more efficient, economical, and effective administration of the Medicaid program.¹ An MMIS includes a system of hardware and software used to process, pay and retrieve Medicaid providers' claims and to produce Medicaid service utilization data and other management information required by the SMA or Federal government for administrative or audit purposes.²

CMS has provided guidance for claiming FFP for MMIS activities in both the regulations and State Medicaid Manual ("SMM"). The Code of Federal Regulations, at 42 CFR 432, Subpart C and 42 CFR 433, Subpart A, provides the authority for claiming FFP. Applicable rates of FFP are specified in 42 CFR 432.50(b)(2), 433.15(b)(3) and (4), 433.112(a), and 433.116(a).

Part 11 of the SMM provides additional criteria regarding which MMIS-related work activities are matchable at the enhanced MMIS FFP rates, versus the non-MMIS rate of 50%. Section 11276.1 provides that FFP is available at 90% for the design, development, installation and enhancement of an MMIS; 75% for the ongoing operational costs for the automated processing of claims; and 50% for all other functions of claims payment and related administration which are necessary for the proper and efficient administration of the State Plan.³

In identifying those costs that are eligible for reimbursement at 75%, "operation" is defined as the automated processing of claims, payments, and reports.^{4,5} It includes the use of

¹ These systems are more commonly known as Medicaid management information systems, or "MMIS."

² 42 CFR 433.111(b).

³ §1903(a)(7) of the Act; 42 CFR 433.15(b)(7).

⁴ 45 CFR 95.605.

supplies, software, hardware, and personnel directly associated with the functioning of the mechanized system.⁶

SMM §11276.3 provides further guidance on when costs may be properly identified as operating costs eligible for enhanced reimbursement:

"A. MMIS Operations.--FFP at 75 percent is available for direct costs directly attributable to the Medicaid program for ongoing automated processing of claims, payments, and reports. Included are forms, use of system hardware and supplies, maintenance of software and documentation, and personnel costs of operations control clerks, suspense and/or exception claims processing clerks, data entry operators, microfilm operators, terminal operators, peripheral equipment operators, computer operators, and claims coding clerks if the coded data is used in the MMIS, and all direct costs specifically identified to these cost objectives. Report users, such as staff who perform follow-up investigations, are not considered part of the MMIS.

FFP at the 75 percent level for operations does not cover clerical processing operations, except as indicated. One of the aims of system improvements is the mechanization of front-end manual editing operations to achieve greater edit reliability and the reduction of clerical workload."

In addition, SMM §11276.6 specifically addresses the availability of enhanced FFP for clerical or manual processing activities, stating:

"Costs Reimbursable at 75 Percent FFP for MMIS-Related Clerical or Manual Processing Activities.--Although it is an objective of the MMIS to reduce manual processing (see §11276.3), some manual intervention is necessary to make any computer system perform properly. However, only those manual functions which are directly attributable to the operation of the MMIS are funded at the enhanced FFP."

The Departmental Appeals Board ("DAB") decision in New York State Dept of Social Services (1990) provides additional guidance.^{7,8} The DAB indicated, the "...general principle expressed in Part 11 [of the SMM] is that enhanced FFP should be available only for manual intervention which is necessary to make the computer system perform its automated functions properly, but not for other clerical or manual processing activities which would be done by a state even in the absence of an MMIS." DAB No. 1204 at 5.

⁵ SMM §11276.3(A).

⁶ 45 CFR 95.605.

⁷ DAB No. 1205; 1990 HHSDAB LEXIS 1154.

⁸ See also: DAB No. 1486, 1994 HHSDAB LEXIS 920.

III. PURPOSE AND SCOPE.

The purpose of this review was to ascertain the extent of the compliance of the South Carolina MMIS fiscal agents' cost allocation and cost distribution processes with Federal regulations at 42 CFR 433, Subpart C and 45 CFR 95, Subpart F. Our review pertained primarily to the MMIS fiscal agent contractor expenditures claimed on the Form CMS-64 reports during SFYs 2006 and 2007.

The primary objectives of this review were to determine whether:

- (i) The BCBSSC contract reimbursements were being correctly distributed between the different Federal matching rates;
- (ii) The Clemson cost allocation plan was correctly allocating only the allowable Medicaid costs to the SC Medicaid program;
- (iii) The distribution of those Clemson costs between the different Federal matching rates was resulting in the correct amount of FFP claimed by the SMA;
- (iv) FFP adjustments were needed to fix inaccurate claims on the Form CMS-64 reports.

IV. THE SOUTH CAROLINA MMIS FISCAL AGENT CONTRACTORS.

The South Carolina MMIS program utilizes two fiscal agent contractors for the processing of claims: Blue Cross Blue Shield of South Carolina and the Clemson University Computer Center. There is a distinct division of responsibilities between these contractors. BCBSSC handles the receipt of the providers' claims, performs the claims data entry, claims resolution, most other MMIS related activities that require manual interventions, and other non-MMIS related administrative functions. Clemson has the mostly automated tasks of operating and maintaining the actual MMIS, at its University computing facilities, that processes the provider claims data and generates the provider reimbursements.

A. The BCBSSC MMIS Manpower Services Contract.

The South Carolina SMA contracts with BCBSSC for the provision of certain MMIS-related activities, including the operation of a claims receipt, document control, data entry, and output control system^{9,10}, and for other program administration tasks. BCBSSC performs all front-end claims processing functions, including receipt of incoming mail, microfilming and

⁹ 06/30/2006 SCDHHS – BCBSSC MMIS Manpower Services Contract, Scope of Work Section, Part 1.1 - General Requirements.

¹⁰ Pursuant to a 06/08/07 Extension to the Manpower Services Contract, the contract will remain effective through 06/25/08.

batching of claims for processing, data entry of claims, transfer of data to Clemson for processing, as well as claims resolution, prior authorization, and adjustment functions. BCSSC also performs 'back-end' processing functions, to include the receipt, printing, bursting, decollating, stuffing the envelopes, and mailing of the provider reimbursement checks and remittance advices delivered from Clemson. The SMA also included certain other program administration (i.e. non-MMIS related) activities in the scope of the BCSSC contract, such as: provider enrollment, provider outreach, provider training, and provider manuals.

B. The Clemson University Computer Center Agreement.

South Carolina has also entered into an agreement with Clemson for the actual computer processing of the MMIS claims data, which has been put into electronic format and forwarded from BCSSC. Although we often refer to it as a contract, it is actually an interagency "service agreement," because Clemson University is also an entity of the State Government.¹¹ So, the contract reimbursements paid by the SMA under this contract must be limited to Clemson's actual costs attributable and allocable to the contract in accordance with the Federal regulations at 2 CFR 220 (a.k.a. OMB Circular A-21 – Cost Principles for Educational Institutions). Clemson maintains a large university computing facility. The Medicaid computing equipment and data storage are the part referred to as the Computer Center. Then, the MMIS programming and other support staff are contained in the part historically known as the Division of Information Systems Development ("DISD," or just "ISD"). The current Clemson agreement was effective July 1, 2005, for three years, with two option years, through June 30, 2010.

V. FINDINGS, CONCLUSIONS & RECOMMENDATIONS.

As a result of this review, we found that the State's reported expenditure amounts for both contractors, and the resulting Federal share amounts claimed for those expenditures, must be revised in order to comply with Federal regulations. The State's current practices resulted in an inaccurate distribution of costs submitted for reimbursement at the 50% and 75% FFP rates¹² for Medicaid claims, and no allocation to account for the processing of M-

¹¹ With respect to automatic data processing (ADP) services, federal regulations at 45 CFR 95.605 provide the definition and the requirements for such "service agreements."

¹² There were no 90% reimbursable charges, i.e., related to design, development, installation or enhancement of the MMIS, per 42 CFR 433.112(a).

activity was identified, pursuant to Federal guidelines as set forth in Part 11 of the SMM,¹⁶ as eligible for 50% FFP, 75% FFP, or zero (100% State only) reimbursement. The cost centers to be utilized were: **CC 07D** - HIPAA Provider Outreach; **CC 08D** - Electronic Data Interchange (EDI) Support; **CC 388** - Remote Journal Entry / Output; **CC 389** - Aged Suspense / Adjustments; **CC 391** - Provider Enrollment; **CC 392** - Input Control; **CC 393** - Administration; and **CC 397** - Nursing Home / Optional State Supplemental. At a second onsite visit on August 20, 2007, CMS review staff met with BCBS SC and the SCDHHS to review the ETKS CCs and activity codes. Each of the CC activities was discussed, and a determination was made as to whether it was eligible for 50% or 75% reimbursement, or no reimbursement as 100% State funded. There were no 90% adjustments were agreed to at that time. The CMS review team found that the proposed CC distributions presented as Exhibit #4. The following explanatory paragraphs (also some of the more significant CMS determinations and some additional recommendation changes that CMS made after further deliberations since the onsite visit.

CC 391 - Provider Enrollment

Researching / querying provider enrollment status via MMIS (Activity Code 651): a 50% reimbursable activity. SMM §11276.3 observes that FFP is only available at 75% for direct costs directly attributable to ongoing automated processing of claims, payments and reports. §11276.3 notes that report users, such as staff who perform follow-up investigations utilizing the MMIS (e.g., provider enrollment queries), are not considered part of the MMIS. §11276.1 specifically observes, with respect to provider enrollment, that only the costs of entering data into the computer system and processing exceptions are reimbursable at 75%. Other functions, even if performed by the same unit or individuals, are reimbursable at 50% FFP. Likewise, enrollment of contracted and noncontracted providers (activity codes 3299 and 3300) are 50% reimbursable activities. However, the sorting of provider edit correction forms ("ECFs") and filing of ECFs (activity codes 3295 and

¹⁶ See also, e.g., DAB Decision No. 1486 – Utah Dept of Health vs. DHHS; 1994 HHS DAB LEXIS 920.

3296) are activities directly attributable to the automated processing of claims, and are reimbursable at 75% FFP.

CC 392 - Input Control

Microfilm Development, Duplication, and Quality Control Activities (Activity codes 3337 and 3906): While onsite, the State and BCBSSC were informed that these activities were likely reimbursable only at 50% FFP because, in this case, the claims would be microfilmed in order to archive them, regardless of whether the claims were, in fact, processed through an MMIS or manually. See SMM §11276.1 and 1994 Utah DAB decision, supra. However, SMM §11276.3 seems to directly address the issue, indicating that, among other personnel costs, the costs of "microfilm operators... and all direct costs specifically identified to [that cost objective]" are reimbursable at 75% FFP. Consequently, it appears that the SCDHHS may claim reimbursement at 75% FFP for BCBSSC charges related to microfilm development, duplication, and quality control activities (3337 and 3906), as well the initial scanning and microfilming of the claims (3901).

MMIS Processing of Family Planning (F/P) Waiver Claims

In addition, there was discussion with the SCDHHS regarding whether the rate of reimbursement for MMIS processing related to Family Planning (1115 Waiver) claims, with the State seeking reimbursement at 90%. The State based its request on 42 CFR 433.15(b)(2), which indicates administration of family planning is reimbursable at 90%. However, 90% reimbursement is applicable only to non-MMIS related administrative activities. The Federal regulations at 42 CFR 433.116(a) indicate that FFP is available at 75% for the ongoing operation of an MMIS. In addition, 42 CFR 432.50(b)(5), relating to staffing and training costs for personnel directly engaged in MMIS claims processing, likewise indicates reimbursement at the 75% rate. An exception to reimbursement may exist, dependent upon the terms of the 1115 waiver agreement entered into by and between CMS and the State agency. Interestingly, a "Special Terms and Conditions" document between the CMS and SCDHHS, paragraph 4, indicates that F/P administrative costs would be reimbursed at 50% FFP.

"CMS will provide FFP at the appropriate 50 percent of FFP administrative matching rate for administrative costs associated with family planning services rendered under the South Carolina Family Planning Program. Outreach performed by the Medicaid Agency or other entities under contract

to the Medicaid Agency will be available at the administrative match rate of 50 percent of FFP.”

We are uncertain whether it was, in fact, the intent of the parties that this section would likewise be applicable to the reimbursement for the MMIS processing related to Family Planning. Further clarification may be necessary on this issue, to determine whether family planning MMIS charges should be reimbursed at 50% or 75% FFP. But, until such further determination occurs, we intend to allow the MMIS-related expenditures for the F/P waiver at the 75% FFP rate approved for MMIS-related operations.

Additionally, a review of the most recent (Q3, 2007) South Carolina Form CMS-64 report, via MBES/CBES, indicates that a 64.10 Waiver form is not being utilized to break out the administrative costs, and FFP rates at which reimbursement is being claimed, for SC's 1115 Family Planning Waiver (No. 11W00057/4-09). Similarly, 64.10 waiver reporting is absent for other 1115 and 1915 waiver administrative cost reporting, all of which should be included in future Form CMS-64 report submissions.

RECOMMENDATIONS:

CMS is currently working with the SCDHHS, Clemson and BCBSSC to revise the agents' cost allocation methodologies to ensure that costs are properly allocated to Medicaid, M-SCHIP and OSS, based on the respective percentage of claims processed for each category from the total universe of claims. For Medicaid, further allocation will then be performed, based on cost center activities, for reimbursement at 50%, 75%, and, as applicable, 90% FFP. Reimbursement for M-SCHIP claims processing is eligible for enhanced reimbursement, subject to the regulations governing reimbursement for Medicaid expansion programs, and the 10% medical assistance total computable limitation.¹⁷ In addition, the portion of the contract expenditures attributable to the processing of the Medicaid Title XIX waivers will also be reported and allocated, as required, on separate waiver supporting schedules.

Furthermore, the current cost allocation deficiencies indicate that the related MMIS costs already submitted on quarterly Form CMS-64 expenditure reports by South Carolina for the period under review, SFYs 2006 and 2007, will require adjustment. It is CMS understanding that the SCDHHS will work with BCBSSC and Clemson (below) to determine the prior period adjustments necessary for earlier periods, to the extent possible, based on the availability of BCBSSC and Clemson MMIS financial records.

¹⁷ 42 CFR 457.618.

Institutional O/H Allocations to each CC. Then, each of the SCDHHS billing accounts should have been billed the appropriate amount of direct and indirect costs from each CC based on the appropriate number of billing units multiplied by these two cost rates. The CUCC should have been invoicing the SCDHHS each month for the accumulated total of the State's billing accounts with the percentage of indirect costs fluctuating each period based upon the actual amount of indirect costs determined in this manner using the rates developed in the ECRD worksheet. Then, for each of the billing accounts that were MMIS related, the SCDHHS should have been claiming the direct costs at the 75 percent FFP rate for MMIS costs and the indirect costs at the 50 percent FFP rate for non-MMIS costs.

Unfortunately, that approach has not been used in many years. Instead, the CUCC has merely been invoicing the State using fixed percentages of indirect costs; the indirect cost rate of 3.34% was used for the Computer Center invoices, and the indirect cost rate of 4.27% was used for the Information System Development ("ISD") invoices. When we asked for the supporting calculations for these indirect cost rates, no one ever produced any supporting documentation for how they were developed. So, for each Computer Center invoice that was sent to the State, the total computable expenditure amounts were calculated at the approved unit billing rates, and then the fixed indirect rate of 3.34% was multiplied times the invoice's total computable amount, and, finally, that amount of indirect costs was listed separately on the invoice as a 50/50 item, with all the remainder of the invoiced charges listed as 75/25 cost items. When the SCDHHS received these invoices, the amounts invoiced were simply claimed on the Form CMS-64 reports at the same Federal matching rates as they were invoiced by the CUCC. The amount of the invoiced billings that were identified as being indirect costs was always calculated based on the same fixed 3.34% multiplied times the invoice totals. The intent of our original recommendation was that the amount of the CUCC's indirect costs claimed by the State at the 50 percent FFP rate would fluctuate in accordance with the actual experienced indirect cost rates derived from the most current ECRD W/S.

2007 Recommendations:

(2) The SCDHHS BFC staff should review the CUCC's monthly billing invoices to ensure that the accumulated amounts invoiced to the MMIS billing accounts contain the correct amount of the Indirect Institutional O/H Allocation based on the indirect cost rates contained in the most current ECRD W/S.

(3) The SCDHHS BFC staff should also ensure that this correct amount of indirect O/H attributable to the MMIS billing accounts for the regular Title XIX Medicaid claims processing costs is claimed appropriately by the State each quarter as Non-MMIS costs on the administrative expenditure line 5A (i.e. Mechanized Systems – In-House) at the 50 percent

FFP rate on the Forms CMS-64.10, CMS-64.10 Waiv, CMS-64.10P, and CMS-64.10P Waiv schedules.

1990 Recommendation (7) "The SHHSFC staff should review the CUCC's cost allocation and Medicaid cost settlements each year to ensure that the applicable regulations, cost principles, and HCFA¹⁸ recommendations are being satisfactorily complied with."

Corrective Actions - We appreciated the outstanding cooperation and the active participation by the SCDHHS BFC staff during the conduct of this CMS review. The development of the extensive list of necessary changes and/or corrections to the CUCC cost allocation procedures probably would not have been possible without their assistance. Without even waiting to see our written draft report, they embarked upon the implementation of the proposed corrective actions with the help of their contractors' staff almost immediately upon our departure from the on-site trips. Please see the Clemson University Corrective Action Task List attached as **Exhibit #6**. That degree of collaboration and their almost immediate tasking for the needed corrective actions that were developed based on our combined efforts were most commendable. It shows an extreme amount of willingness on the part of the State to make things right, and we are indeed impressed with that effort. However, because the list of needed corrections and necessary improvements is so extensive, it is apparent to us that the on-going contract monitoring by the SCDHHS BFC staff has not been thorough enough to ensure that applicable regulations, cost principles, and CMS recommendations are being satisfactorily complied with. All the claims processing costs for the 100 percent State run OSS program were being billed to the SCDHHS as if they were MMIS related costs claimable at the 75% FFP rate. Accordingly, we again consider it important to repeat this as a 2007 Recommendation for this FMR as well. Even though the State was not claiming the FFP for the invoiced amounts appropriately at the time the invoices were paid to the CUCC, these expenditure reporting issues could have been fixed during an annual cost reconciliation and settlement adjustment process. Unfortunately, the State was only tracking the over and/or under claimed status of the Computer Center's Medicaid expenditures on a total computable basis. No one ever reconciled or adjusted the amounts claimed as indirect costs at the 50 percent FFP rate per the Computer Center invoices to the actual experienced indirect cost amounts documented per the approved CUCC cost allocation plan. The SCDHHS and the CUCC were monitoring only the total computable expenditures

¹⁸ CMS was formerly known as the Health Care Finance Administration, or "HCFA."

being invoiced in comparison to the actual experienced costs in total (with no separation by program or FFP matching rates) so that the unit billing rates could be periodically adjusted in an attempt to keep the total amounts billed on the invoices close to the total computable amounts of the experienced costs.

The reconciliation process previously recommended by CMS was supposed to have been performed by running the CUCC's Experienced Medicaid Expenditure Determination (EMED) W/S. However, this EMED W/S was not being completed appropriately to derive the difference between the various Federal programs' actual share of the Computer Center's experienced direct and indirect costs and the actual amounts claimed for reimbursement on the invoices billed to the SCDHHS at the different FFP rates.

In order to achieve the kind of detailed cost reconciliation and adjustment process that we feel is necessary by the different contracts, programs, and Federal matching rates, we concluded that the EMED W/S needs to be enhanced with additional details and then completed for as many prior years as records are available. First, an additional row must be added for each of the billing accounts so that the combined amount of Actual Charges can be separated into the "Actual Charges – Direct" and "Actual Charges – Indirect." For all the years when the Computer Center's invoices simply charged the State the fixed 3.34% as Indirect, it will not be necessary to reprocess the invoices. Instead, it will be acceptable for this breakout of the "Actual Charges – Indirect" to occur as a result of executing simple math formulas in the EMED W/S that multiplies the Actual Charges amount times 0.0334 to derive the Indirect charges for each cell, and then the amount of the Direct charges would be the remainder of the Actual Charges amount. Next, we also decided that the CUCC should insert additional columns into the EMED W/S to further allocate the experienced direct and indirect cost amounts, as well as the newly recalculated Actual Charges – Direct and Indirect, to the various programs and Medicaid waivers for which the State needs to separately report expenditures in accordance with the Federal expenditure reporting guidelines. Currently, the EMED W/S contains only columns for capturing the "Total Medicaid Share" and "Total FFP." We are proposing to replace these two columns with many new columns designed to capture the costs and the charge amounts for the Medicaid Eligibility Determination System ("MEDS") contract, 100% State OSS Program, the M-SCHIP, regular Medicaid Program, and then additional columns for each approved Title XIX waiver program as well. We have presented our recommended column labels at **Exhibit #7** entitled "New CMS Recommended EMED Reporting Columns." For the M-SCHIP program, we added only one column because it is not

necessary to split the direct and indirect costs between the 75% and 50% FFP rates since the Federal share for all M-SCHIP expenditures are claimable at the Enhanced Federal Medical Assistance Percentage ("EFMAP") rate approved for each Federal fiscal year based on the date of the expenditure. For each of the Medicaid programs, two columns are needed in order to separate these programs' administrative costs into the MMIS costs and the non-MMIS costs allowable at the 75% and 50% FFP rates, respectively. We did not attempt to prepare program columns in this Exhibit for every one of the State's Medicaid waivers. However, we showed examples for three different types of waivers and the State can duplicate the waiver columns as often as is needed by simply changing the waiver description and waiver number. Our column descriptions contain the information about the Federal expenditure report forms and the expenditure report lines where these expenditures should be reported by the SCDHHS. We intend for the amounts in these columns to be the total computable expenditure amounts and the respective charges that are accumulated for each of the Computer Center's billing accounts. It is not necessary to calculate the Federal share attributable to each of these billing account totals. After each column is added to accumulate the grand totals of the expenditures and charges for each new column, a row can be added underneath those totals to calculate the total Federal share amount attributable to each program column.

In order for the reconciliation to work appropriately, the accumulated totals in each row for the various billing accounts need to be assigned or allocated to the appropriate newly created columns. Some of the billing accounts could be exclusive to only one new column (e.g. the Computer Center's billing account numbers "B2803399" and "B2803400" are exclusively for the MEDS Contract) or maybe even a subset of the new columns. However, we envision that the majority of the billing account totals will need to be allocated between all of the program columns (but not to the MEDS Contract column). For the billing accounts that must be allocated, the State can determine if their allocation basis for splitting these amounts will be the number of billing units attributable to each program, or the more likely option of simply tracking the number of processed transactions attributable to each of the respective program columns. The CMS staff worked with the SCDHHS BFC and the CUCC staff members in an attempt to decide how many of the programs that each of the billing accounts should be split among. We did not attempt to decide how many Medicaid waivers were impacted by the Computer Center's billing activities in each billing account. Rather, we simply discussed whether they were to be considered exclusive to only one of the programs, or to which of the three programs (i.e. OSS, M-SCHIP, and Title XIX) they should be split among. We also

discussed whether or not the activities in each billing account were MMIS related so that the State would know which of the accounts could be partially claimed at the 75% FFP rate allowable for MMIS costs when they were allocable to the Title XIX programs.

2007 Recommendations:

(4) The SHHSFC BFC staff should review the CUCC's cost allocation and Medicaid cost settlements each year to ensure that the applicable regulations, cost principles, and CMS recommendations are being satisfactorily complied with.

(5) The SCDHHS and the CUCC staff should work collaboratively to resolve and implement the needed corrective actions based on the tasks listed previously (See Exhibit #6). The State should consult with CMS staff as needed to clarify any questionable issues, if necessary, prior to implementation. The State should provide CMS with an updated status report on those corrective actions as milestones are achieved.

(6) The SCDHHS and the CUCC staff should work collaboratively to make the CMS recommended enhancements (see the details discussed above) to the annual EMED W/Ss and to obtain the necessary data to use as the allocation basis to split the billing accounts totals, as necessary, between the different columns that were added.

(7) After the corrective actions in **2007 Recommendations (5), (6)** and **(10)** are accomplished, and for as many prior years as the records are available, the State should recalculate the ECRD and the EMED W/Ss to appropriately distribute the Computer Center's costs among the various contract and program columns so that the actual experienced costs for each column and for each Federal matching rate can be compared to the amounts that were claimed by the State for Federal expenditures.

(8) The State must work with CMS to perform a detailed reconciliation of the amounts claimed by the State for the CUCC in comparison to the revised cost amounts as documented by the enhanced EMED W/Ss. At that time, the SCDHHS will need to make whatever detailed Federal expenditure reporting adjustments are found to be necessary by the CMS-RO in order to correct the reported expenditures.

1992 Recommendation (5) "Analyze the CUCC's space utilization of the new building on a recurring basis during subsequent years in order to further allocate the appropriate share of the space-related costs for the new building to all the benefiting activities."

We once again found that the CUCC has allocated most of the space-related costs for the Computer Center's building at the Technology Center to the IBM mainframe computer's cost centers ("CCs"). During the State fiscal year ended ("SFYE") June 30, 2006, all of the Computer Center's \$125,109 annual depreciation charge was split entirely between the ISD and the IBM mainframe computer; the ISD allocation was \$20,668 (for 4,217 ft²), and all the remaining \$104,441 (for 21,310 ft²) was allocated to the IBM mainframe. Since the Federal

programs received extensive cost allocations from the ISD and the IBM mainframe CCs, we are again concerned that the Federal programs are being allocated more than their fair share of the building's space related costs. The Federal regulation at 2 CFR 220, Appendix A, Item F.2.b.(2) (a.k.a. OMB Circular A-21 Cost Principles for Educational Institutions) stipulates:

"Depreciation or use allowances on buildings used for more than one function, and on capital improvements and equipment used in such buildings, shall be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas such as hallways, stairwells, and rest rooms."

We know that some of the Computer Center's server computers, and other space allocations in the building, are devoted to other business affairs that are unrelated to the Federal programs. Also, the new Chief Information Officer and his management team for the CUCC are actively pursuing the expansion of the CUCC's revenue-producing business activities with other paying customers and other partnering arrangements with various non-profits. When these other server computers and other activities that occupy the building's space (that are dedicated to these other non-Federal activities) were established in the building, the building's space allocation should have been recalculated to assign the appropriate amount of square feet to those non-Federal program activities. Also, in the spring of 2007, the ISD staff were moved out of the building in order to free up this valuable (i.e. more expensive) floor space so that the Computer Center could better utilize that space to help further expand its ventures into new business arrangements. And, the Computer Center building is currently undergoing a major remodeling project to convert the former lobby of the building into its new computer operations control center. Now is the perfect time to recalculate the building's allocation of its square feet. As previously explained, all the areas that are not directly used to benefit specific cost objectives or CCs should be considered common-use areas -- the costs of which are ultimately allocated on the basis of the percentages of the direct-use areas. And, in the future, whenever this building (as well as the other University buildings that are being cost allocated to these Federal programs) is being further remodeled or the space is being reconfigured, then it may be appropriate to also revise the allocations for the space utilization costs during mid-year. At the very least, the space allocations for all the University buildings should be checked annually for potential changes to the space allocations in time to make necessary corrections before the year-end ECRD and the EMED W/SS are finalized.

2007 Recommendations:

(9) Whenever it's needed, but no less than annually, the SCDHHS BFC staff must analyze the CUCC's space utilization of the University's buildings in order to determine if changes are

needed to the allocations of the CUCC's space-related costs for the buildings to ensure that the Federal programs are not being allocated any of the buildings' costs that are directly benefiting other activities.

(10) For the SFYE June 30, 2006 and 2007, the SCDHHS BFC staff must work with the CUCC staff to make any appropriate changes to the building space allocations in order to correct any known misallocations (as discussed in the paragraph above) prior to the finalizations of those year's ECRD and EMED cost allocation W/Ss.

CONCLUSIONS:

Completion of the above recommended revisions to the Clemson cost allocation methodology should result in a substantial remediation of the ongoing issues discussed above. In addition, it will allow Clemson to successfully move forward, as needed, with additional updates and revisions in the future, to the benefit of the South Carolina MMS program as a whole.

APPENDIX

EXHIBITS IN SUPPORT

Exhibit # 1 – SCDHHS' Spreadsheet of Actual Invoiced Charges Received from BCBSSC For payment, for SFYs 2006 and 2007.

Exhibit # 2 - June 28, 2006 BCBS Invoice of Charges during the May 2006 period, approved for payment by SCDHHS.

Exhibit # 3 - 08/13/07 ETKS Spreadsheet, Tab 1 – Invoice allocation of charges as would appear under newly proposed cost allocation methodology.

Exhibit # 4 08/13/07 ETKS Spreadsheet, Tab 2 - Proposed BCBSSC Cost Allocations.

Exhibit # 5 – South Carolina Medicaid – Paid Claims SFY06-07 Analysis.

Exhibit # 6 – Clemson University Corrective Action Task List.

Exhibit # 7 – New CMS Recommended EMED Reporting Columns.

EXHIBIT #1**Summary of MCCS Invoices FY 06 & FY 07**

FY 06	75/25 FFP	50/50 FFP	Fixed Cost Adjustment	Performance Incentives	Total Payment
	PCA code 3A420	PCA code 3A430			
2005	July	795,663.57	33,983.37		829,646.94
	August	836,613.93	30,994.23		867,608.16
	September	811,326.08	37,528.95		848,855.03
	October	849,039.35	46,809.71		895,849.06
	November	748,040.31	34,957.79		782,998.10
	December	821,715.40	33,535.92		855,251.32
2006	January	828,225.62	40,095.34		868,320.96
	February	818,720.30	31,907.55		850,627.85
	March	901,447.30	38,412.91		939,860.21
	April	806,173.82	36,059.13		842,232.95
	May	844,881.19	35,762.89	110,000.00	990,644.08
	June	795,740.10	37,631.16	10,000.00	843,371.26
MCCS Invoice Total		9,857,586.97	437,678.95	120,000.00	10,415,265.92
FY 07		3A420	3A430	Total Payment	
2006	July	750,421.26	31,541.07		781,962.33
	August	806,195.78	37,606.95		843,802.73
	September	759,150.54	30,818.61		789,969.15
	October	772,255.47	31,378.83		803,634.30
	November	747,634.26	36,423.74		784,058.00
	December	838,748.35	36,562.51	396,000.00	1,311,310.86
2007	January	853,667.55	33,709.89	40,000.00	907,377.44
	February	825,768.80	34,223.60	20,000.00	859,992.40
	March	903,264.80	43,109.18		946,373.98
	April	787,594.99	82,981.45		870,576.44
	May	782,658.58	82,461.35		865,119.93
	June	719,003.01	72,718.80		791,721.81
MCCS Invoice Total		9,546,363.39	553,535.98	396,000.00 *	10,555,899.37

* Performance incentive paid in addition to invoiced amounts.

EXHIBIT #2

Page 1 of 2

**BlueCross BlueShield
of South Carolina**

www.SouthCarolinaBlues.com

An Independent Licensee
of the Blue Cross and
Blue Shield Association1-90 at Alpine Road
Columbia, SC 29219-0001
803-798-0202

June 8, 2006

APPROVED FOR PAYMENTCost Center 3A43D / 6490Date/Amount 6/9/06 \$844,981.19Authorized By Rhonda MorrisonRhonda Morrison
Bureau Chief**Department of Health and Human Services
1801 Main Street
Columbia, SC 29201****MCCS May 2006 Billing****APPROVED FOR PAYMENT**Cost Center 3A43D / 6490Date/Amount 6/1/06 \$34,709.39Authorized By Rhonda MorrisonRhonda Morrison
Bureau Chief**THIS IS AN INVOICE - PAYMENT DUE UPON RECEIPT**

MCCS Claims Processed for May 2006	702,943	0.89	\$629,619.1
Tapes & Databases Mounted	205	\$67.50	\$13,837.5
Claims Fixed Operating Cost - May 2006			\$131,950.4
MCCS Postage			\$34,709.3
EDI Operations			
Fixed Operating Cost - May 2006			\$27,717.1
Provider Outreach			
Fixed Operating Cost - May 2006			\$45,797.1
Required documents attached and necessary calculations, extensions, footing, and verifications.			
Completed By:			
Reviewed By:			
Total Amount Due			\$879,598.1

Please return one copy with payment to:

**Blue Cross Blue Shield of South Carolina
Post Office Box 8000
Columbia, SC 29260**

Reference: Deposit on CD to Account 1625

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BLAIR CROSS & BLAIR SNIELT
POST OFFICE BOX 6600
REF DEPOSIT ON CD TO ACCOUNT 1025
579217415
CREDITED BY BERNARD SECURITY CO
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FOR THE NATIONAL ARCHIVE TO BE RECORDED AT THE NATIONAL ARCHIVE
MCCS-NAY05

BLUE CROSS & BLUE SHIELD

Paid Film Copy

DISCLAIMER

EXHIBIT #3**MCCS Invoice Allocations
FY 2006****Allocated Invoice Amounts**

Period	50.00%		75.00%		State Only	Invoice
	Match Rate	Match Rate	Match Rate	OSS	Total	
Jul-05	108,581.15	692,103.22	15,398.97	816,083.34		
Aug-05	115,436.61	735,800.34	16,371.21	867,608.16		
Sep-05	112,941.47	719,896.20	16,017.35	848,855.03		
Oct-05	119,194.10	759,750.86	16,904.10	895,849.06		
Nov-05	104,179.11	664,044.32	14,774.68	782,998.10		
Dec-05	113,792.51	725,320.76	16,138.05	855,251.32		
Jan-06	115,531.45	736,404.85	16,384.66	868,320.96		
Feb-06	113,177.35	721,399.69	16,050.81	850,627.85		
Mar-06	125,049.85	797,075.79	17,734.56	939,860.21		
Apr-06	112,060.40	714,280.15	15,892.40	842,232.95		
May-06	117,171.06	746,855.83	16,617.19	880,644.08		
Jun-06	110,881.33	706,764.74	15,725.19	833,371.26		
Totals	1,367,996.39	8,719,696.74	194,009.18	10,281,702.32		

**MCCS Invoice Allocations
FY 2007****Allocated Invoice Amounts**

Period	50.00%		75.00%		State Only	Invoice
	Match Rate	Match Rate	Match Rate	OSS	Total	
Jul-06	158,754.15	686,029.48	16,288.49	861,072.12		
Aug-06	170,172.17	735,370.55	17,460.00	923,002.73		
Sep-06	160,246.98	692,480.51	16,441.66	869,169.15		
Oct-06	162,766.40	703,367.74	16,700.16	882,834.30		
Nov-06	159,157.19	687,771.16	16,329.85	863,258.20		
Dec-06	161,379.32	697,373.70	16,557.84	875,310.86		
Jan-07	163,604.01	706,987.33	16,786.10	887,377.44		
Feb-07	158,555.09	685,169.25	16,268.07	859,992.40		
Mar-07	174,481.09	753,990.79	17,902.11	946,373.98		
Apr-07	160,506.44	693,601.71	16,468.28	870,576.44		
May-07	159,500.44	689,254.43	16,365.06	865,119.93		
Jun-07	145,968.17	630,777.01	14,976.63	791,721.81		
Totals	1,935,091.46	8,362,173.66	198,544.24	10,495,809.36		

Note: The detail to support the spread of cost between the various Match rates is contained in the "Allocation Rates" tab of this file.

EXHIBIT #4**Proposed BCBSSC Cost Allocations**

FY 2006										
CC	50% Rate Alloc	75% Rate Alloc	State Only Alloc	Total		50% Match Rate Costs	75% Match Rate Costs	State Only Costs	Total	
				Direct Costs					Allocated Direct Costs	
07D	100.00%	0.00%	0.00%	330,765.48	330,765.48	0.00	0.00	0.00	330,765.48	
08D	0.00%	100.00%	0.00%	214,339.10	0.00	214,339.10	0.00	0.00	214,339.10	
388	61.41%	38.59%	0.00%	495,362.22	304,183.00	191,179.22	0.00	0.00	495,362.22	
389	0.00%	100.00%	0.00%	265,407.30	0.00	265,407.30	0.00	0.00	265,407.30	
391	20.17%	79.83%	0.00%	342,005.04	68,991.23	273,013.81	0.00	0.00	342,005.04	
392	7.84%	92.16%	0.00%	572,397.31	44,890.46	527,506.85	0.00	0.00	572,397.31	
393	0.00%	100.00%	0.00%	2,453,492.18	0.00	2,453,492.18	0.00	0.00	2,453,492.18	
394	0.00%	100.00%	0.00%	422,043.48	0.00	422,043.48	0.00	0.00	422,043.48	
395	16.88%	83.12%	0.00%	236,507.47	39,921.48	196,585.99	0.00	0.00	236,507.47	
396	9.78%	89.07%	1.15%	931,979.21	91,167.87	830,137.91	10,673.43	931,979.21	931,979.21	
397	0.00%	67.31%	32.69%	349,074.25	0.00	234,957.54	114,116.71	349,074.25	349,074.25	
Totals				6,613,373.04	879,919.51	5,608,663.39	124,790.14	6,613,373.04		
Allocation Rates				13.31%	84.81%	1.89%	100.00%			

FY 2007										
CC	50% Rate Alloc	75% Rate Alloc	State Only Alloc	Total		50% Match Rate Costs	75% Match Rate Costs	State Only Costs	Total	
				Direct Costs					Allocated Direct Costs	
07D	100.00%	0.00%	0.00%	527,606.05	527,606.05	0.00	0.00	0.00	527,606.05	
08D	0.00%	100.00%	0.00%	222,309.12	222,309.12	0.00	222,309.12	0.00	222,309.12	
388	60.52%	39.48%	0.00%	470,574.18	284,808.63	185,765.55	0.00	0.00	470,574.18	
389	0.00%	100.00%	0.00%	285,030.27	0.00	285,030.27	0.00	0.00	285,030.27	
391	18.81%	81.19%	0.00%	408,971.46	76,945.43	332,026.03	0.00	0.00	408,971.46	
392	10.34%	89.66%	0.00%	558,705.62	57,755.85	500,949.77	0.00	0.00	558,705.62	
393	0.00%	100.00%	0.00%	1,591,372.30	0.00	1,591,372.30	0.00	0.00	1,591,372.30	
394	0.00%	100.00%	0.00%	319,542.53	0.00	319,542.53	0.00	0.00	319,542.53	
395	20.66%	79.34%	0.00%	280,457.04	57,956.14	222,500.90	0.00	0.00	280,457.04	
396	12.25%	86.64%	1.11%	1,232,570.33	150,935.97	1,067,903.87	13,730.49	1,232,570.33	1,232,570.33	
397	0.00%	71.88%	28.12%	372,973.17	0.00	268,094.92	104,878.25	372,973.17	372,973.17	
Totals				6,270,112.07	1,156,008.07	4,995,495.27	118,608.73	6,270,112.07		

* - A separate tab for each of these cost centers is contained in this spreadsheet and contains the details by Work Activity.

EXHIBIT #5**South Carolina Medicaid - Paid Claims SFY 06-07 Analysis**

Description	# Transactions	% of Total
Family Planning (90/10)	389,115	1.18%
Optional State Supplement (0/100)	46,898	0.14%
SCHIP (80/20)	692,569	2.10%
Regular Medicaid (75/25)	31,881,711	96.58%
Total	33,010,293	100.00%

9/11/2007

Clemson University Corrective Action Task List

EXHIBIT #6

	A	C	D	E
1	Task	Due Date	Status	Notes
2				
3	Indirect Rates - MAMIS and MEDS Invoice Changes			
4	Move all MAMIS account numbers to one invoice. Remove HIPAA invoice. Move MEDS Medicare D account number to MAMIS invoice.	8/1/2007	Completed	Effective with August, 2007 invoice. No 90/10 FFP has been claimed.
5	Move MEDS Medicare D time to new MAMIS project/task code in timesheet system.	8/1/2007	Completed	Effective with July 2007 timesheets.
6	Calculate new indirect rates to use for FY 07-08 for Computer Resources and EA/ISO invoices.	9/27/2007	In progress	The rate is hard-coded into the invoice program. It takes several months after June 30th fiscal year end to determine the actual direct and indirect costs, which go into the rate.
7	Approve new indirect rates.	9/28/2007		
8	Change invoice programs to use new rate.	10/1/2007		Document when new rate received and who approved.
9				
10	MAMIS Computer Center Account Number Changes			
11	Determine whether account number with check digit is needed.	9/11/2007		Some old account numbers required a check digit and need to be cleaned up. We think originally this was needed for BCIS (front-end. Confirmed this is still correct.
12	Recommend account numbers for FFP matches.	9/11/2007		Account numbers for new purchase can't have had any money billed for State FY 07-08. Audit proposed account numbers.
13	Approve new computer center account numbers.	10/1/2007		
14	Change all mainframe usersids to use B2803339 for default TSO account.	10/1/2007		B2803339 is the default account number for TSO login. To clean up reports, EA staff should switch their mainframe userid to this account number. Most UMHS staff already use the right account. DBAs continue to use B2803305.
15	Determine which FFP category each subsystem falls into.	10/1/2007		Defining business rules for changing JCL.
16	Submit maintenance request (or SW) with high priority for MAMIS JCL changes to use the new account numbers.	9/1/2007		
17	Determine which EA-maintained JCL needs to change to use new account numbers.	10/15/2007		Some subsystems will need no changes. Identify first by subsystem and then by job within the subsystem.
18	Determine which BUS maintained JCL needs to change to use new account numbers.	10/15/2007		Some subsystems will need no changes. Identify first by subsystem and then by job within the subsystem.

9/11/2007

Clemson University Corrective Action Task List

EXHIBIT #6

I	A	C	D	E
	Task			Notes
19	Change JCL members in all FA-maintained libraries.	1/1/2008		Account number changes may begin as early as 10/1/2007 as JCL is changed for other reasons.
20	Change JCL members in all BLS-maintained libraries.	1/1/2008		Account number changes may begin as early as 10/1/2007 as JCL is changed for other reasons.
21	Audit the account number charges each month until fully implemented.	6/2/2008		Start with the month after implementing the new account numbers.
22	Change EMED spreadsheet to use the appropriate FTPs for each account number (new and existing).	1/1/2008		Same FTP as used in invoice program. Keep these consistent. This spreadsheet is used to update rates quarterly. Note which account numbers are to be split based on claim category.
23	Document the account numbers in a shared folder.	10/1/2007		Maintain this as new account numbers are added. Include FTP mapping. Discontinue use of obsolete HIS/HRIS PRODDOC(ACCOUNTS).
24	MMIS Computer Center Invoice Changes for FTP			
26	Create prototype invoice.	9/15/2007		
27	Approve prototype invoice.	10/1/2007		
28	Categorize by OSS (0/100), SCHIP (80/20), Family Planning (9/10), and Other (75/25). Determine which account numbers and subsystems are to be based on FTP and claim category.	8/14/2007		Count transactions to get initial estimates.
29				Payment, Claims, Cost Containment for Sure.
30	Map new and existing account numbers to FTPs for the invoice.	9/1/2007		OSS (0/100), SCHIP (80/20), Family Planning (9/10), Other (75/25), Other (Split proportionately), Medicare D (72/27)
31	Change invoice program for new account numbers, including logic to split certain account numbers proportionately.	11/1/2007		May want to produce a new detailed report as backup documentation. Non-maintenance charges are entered as manual adjustments to the bill. The HIPAA translator, for example, is currently changed to B2603100. Consider changing to B2603108. This program change must go through the SDLC (business rules, coding, testing, implementation)
32	Create business rules for categorizing all claims.	10/1/2007		Include all claims, including paid and rejected. On a paid claim, an indicator determines OSS or SCHIP. The fund code determines family planning.

9/11/2007

Clemson University Corrective Action Task List

EXHIBIT #6

A Task	C Due Date	D Status	E Notes
33 Create application to statistically analyze claims by category for each FFP.	9/11/2008		An application that gets the statistics for all claims, including paid and rejected claims and other status. Need to follow SDLC (spec, coding, testing, approval, implementation).
34			
35 MAMIS & MEDS EA/ISD Invoice Changes			
36 Create prototype ISD invoice.	9/15/2007		
37 Approve prototype invoice.	10/1/2007		
38 Identify the new timesheet project codes needed for different FFPs for MAMIS staff.	9/15/2007		
39 Change billing program to map timesheet project codes to FFP on ISD invoice.	11/1/2007		
40			
41 MAMIS & MEDS Timesheet Changes			
42 Identify timesheet projects for network support staff and the percentage of time to charge to each.	9/15/2007		To be used for server, workstation, network support specific to MAMIS and MEDS projects. James, Saline and Emily will use estimated percentages. June, Cynt, and Melissa will use actual hours.
43 Work with James to train his team in using the new timesheet codes.	10/1/2007		They continue to use SVS, but special SVS (SHIP, Family Planning, QSS, etc) need to be covered next with Cynt so that the invoice program reports them correctly.
44 Train MAMIS team to use new project codes. Add new timesheet projects to the timesheet database for different MAMIS FFP rates.	10/1/2007		
45	10/1/2007		
46			
47 Propose new rules for Direct versus Indirect charges for MAMIS and MEDS			
48 Ask auditors: Does the \$25,000 limit apply to split charges like rent?	8/23/2007		The MEDS contract does not allow overhead to be charged for amounts over \$25,000 for certain items - contractor, software, for example. Does this apply to building expenses.
49 Ask auditors: With overhead rate do we charge to the split charges?	8/23/2007		If we split building rent across indirect and direct, do we charge overhead on the direct portion?

File: EXH #6 SC-Clemson Corrective Action Task List - Original (cc:8/13/07).xls

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Clemson University Corrective Action Task List

EXHIBIT #6

1	A Task	C Due Date	D Status	E Notes
50	Ask auditors. Auditors asked that we determine how support staff split their time. How will this be used in calculations of direct charges such as building expenses? Is an annual calculation enough - this year based on last year?	8/23/2007		
51	Identify the percentage of time support staff spends on supporting NMMS and MEOS contracts.	9/15/2007		To be used for support specific to NMMS and MEOS projects. Almost everyone at Eagles Landing supports the contracts in some way. Will we do this annually, using last year's experience to determine this year's charges.
52	Determine percentage of Eagles Landing space dedicated to each of NMMS and MEOS contract.	9/11/2007	in progress	Cubicles, private offices, other dedicated space (if any). May also want support staff split by percentage on each project.
53	Review FY 06-07 expenditures to determine which should have been charged to NMMS or MEOS contracts.	9/11/2007	in progress	Needed for business rules for paying bills and making sure contracts are billed correctly. Software purchases billed to a contract need to be looked at carefully and won't use the same proportions as building expenses.
54	Determine business rules to use by administrative staff when creating orders and paying invoices.	9/15/2007		The person placing each order needs a step by step guide on what proportions to use and indirect rates to apply. Someone needs to monitor this.
55	Get approvals needed for changing rules for direct charges to DHHS contracts and new models for calculation of indirect rates.	10/1/2007		
56	Train CIT Order Entry staff to split payments following business rules.	10/1/2007		
57	Determine new EA/ISO indirect rate for State FY 07-08 for NMMS and MEOS contracts.	11/1/2007		
58	Determine new EA/ISO indirect rate for State FY 07-08 for other contracts.	11/1/2007		
59	Miscellaneous			
60	Find in-house accountant to assist with all these assignments.	9/15/2007		Accountant would review proposals, spreadsheets, rates, etc. OK to hire hourly accountant and bill to the NMMS contract. This person does not have to be a CPA, experience with this kind of reporting is more important.
61	Send Sherida Morrison an org chart for CIT with everyone, not just Jim Bottom's direct reports.	8/15/2007		
62	Identify CIT staff outside of EA who support the DHHS contracts.	8/15/2007		

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Clemson University Corrective Action Task List

EXHIBIT #6

	A Task	C Due Date	D Status	E Notes
1	Correct the list of buildings in the CCIT model for calculating direct and indirect rates.	11/1/2007		include Sires, not student labs, etc.
64	Move the Direct Institutional Overhead (Clemson) to Computer Center overhead/indirect model.	11/1/2007		
65	Verify all numbers in Computer Center overhead cost spreadsheet were updated correctly.	11/1/2007		
66	Recalculate direct and indirect computer center rates.	11/1/2008		
67				
68	Get approvals for redoing model.	10/16/2007		

EXHIBIT #7

[illegible]