national institute for advanced studies

ANALYSIS OF MEDICAID ADMINISTRATIVE COSTS COMMONWEALTH OF VIRGINIA

May 1977

600 E Street, N.W., • Suite 100 • Washington, D.C. 20004

ANALYSIS OF
MEDICAID ADMINISTRATIVE COSTS
COMMONWEALTH OF VIRGINIA

May 1977

Submitted to:
Department of Health,
Education, & Welfare
Health Care Financing
Administration
330 C Street, S.W.
Washington, D. C. 20201

Submitted by:
National Institute for
Advanced Studies
2021 K Street, N. W.
Washington, D. C. 20006

This report is made pursuant to contract SRS-600-76-0613. The names of the persons employed or retained by the contractor, with management or professional responsibility for such work or for the contents of this report, are listed on the following page.

ACKNOWLEDGEMENTS

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We wish to thank the staff of the Bureau of Medical Assistance, Commonwealth of Virginia for their cooperation in this study.

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CHAPTER I

INTRODUCTION

CHAPTER I

INTRODUCTION

This report is the first in a series of reports emanating from a study of Medicaid administrative costs. The purpose of this study is to provide the Health Care Financing Administration, which has federal responsibility for the Medicaid program, with a better understanding of the effects of federal policies relating to support of Medicaid administrative costs. Basic objectives of this study are:

1. To learn how states allocate Medicaid administrative resources;

2. To learn why states allocate resources the way they do and why they cannot obtain additional resources when such resources are needed;

3. To develop an indicator of administrative resource adequacy for federal monitoring purposes.

In order to answer these and subsidiary questions, a case study approach involving analysis of administrative costs in several states is being followed.

For each state, a state report will be prepared, presenting and analyzing the costs and revenues of state administration of the Medicaid program. This first state report also represents a test of the study methodology and presents conclusions regarding revisions to that methodology. Since each report is independent of the other state reports, a comparative analysis of costs among states (i.e., whether or not a particular

cost element is higher or lower than in other states) will be presented in the final report of this study.

The organization of this Virginia report will serve as a model for all subsequent state reports with the exception that information on the test of the methodology will not be included in subsequent reports. Each state report will present a brief discussion of the organization of the Medicaid program including a table of organization. This will be followed by a section presenting findings with respect to costs and revenues. Finally, Appendix A will present the Cost Matrix and Appendix B the Revenue Matrix for the particular state.

CHAPTER II

TEST METHODOLOGY

CHAPTER II

TEST METHODOLOGY

The goal of the Test Methodology was to test instruments and procedures for collecting required data, including revenue and cost data. As a result of the Test, required revisions were to be made, and the collection of data in the additional states was to proceed. The present section outlines the Test of the instruments and procedures in Virginia.

The Commonwealth of Virginia was selected from a list of sixteen Medicaid jurisdictions in the United States to serve as a test of the Methodological approach to the Administrative Cost project. A two-phased process led to this selection by evaluating each state according to the following criteria:

Phase I:
- Total Medical Assistance Payments
- Total Administrative and Training Costs
- Percentage of Total Administrative and Training Costs to Total MAP
- Percentage of Unadjusted Federal Portion to Total Administrative and Training Costs.

This evaluation produced a list of 16 states from which Virginia was selected on the basis of the four criteria listed above plus the following criteria:

Phase II:
- Medically Indigent Clients in Program
- Decentralized Eligibility Determination
- Claims Processing is Performed by Intermediary

- Claims Processing is Computerized
- Prior HEW experience in the State
- Willingness to Participate

On the basis of these criteria and the proximity to the NIAS offices, Virginia was selected as the Test State. The Test Instruments, then, consist of four organized procedures for collecting the required data: Director's Interview Schedule; Functional Area Interview Schedule; Cost Matrix; Revenue Matrix.

DIRECTOR'S INTERVIEW SCHEDULE

The general purpose of this Interview Schedule is to obtain information from the Director of the Medicaid program in each state concerning basic decision-making processes relevant to allocation and utilization of resources. In addition, it is the intention of this instrument to obtain the names of key personnel responsible for functional areas of the Medicaid program so that the field team can begin to identify how administrative resources are used. The instrument is also used to obtain a general summary of how these areas are structured within the Medicaid program, as well as where the Medicaid program fits within the overall State Health and Welfare system.

In the case of Virginia, the single state agency designated to administer the Medicaid program is the Department of Health. An organization chart of this department is set forth as Figure 1 of this report. The Bureau of Medical Assistance is directed by Dr. Freeman C. Hays, and Mr. Frank Sweeney is the Administrative Director. The determination of Medicaid eligibility is performed for the Department of

FIGURE 1

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HEALTH
BUREAU OF MEDICAL ASSISTANCE

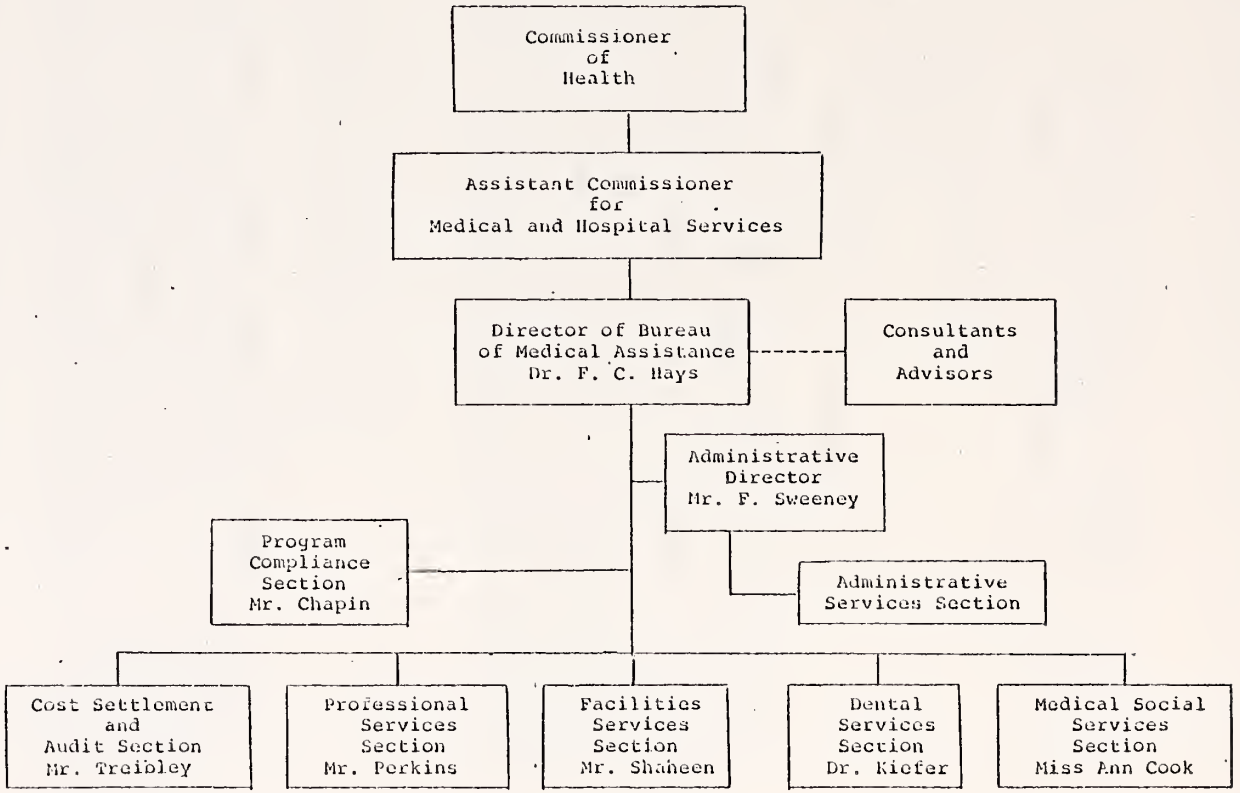

Figure 1: Organizational Chart

Health by the Virginia Department of Welfare. Several other state departments, including Data Processing, Vocational Rehabilitation, and the Attorney General's office, also perform Medicaid administrative functions for the Department of Health.

The Director's Interview Schedule is designed to be administered at the beginning of the data collection period in each state. It is organized in four sections as follows:

(a) Identification Information
(b) Budget Information
(c) Personnel Information
(d) Analysis of Administrative Resources.

It is expected that basic information concerning personnel and their duties and responsibilities, general procedures for preparing budgets and their review, and a general evaluation of the status of administrative activities and potential consequences of changes in Federal Financial Participation percentages for the operation and delivery of Medicaid services will be obtained from a thorough interview with the Medicaid Director.

FUNCTIONAL AREA INTERVIEW SCHEDULE (FAIS)

The general purpose of this Interview Schedule is to obtain more specific information about each of the functional areas identified and defined during the Director's Interview. A detailed list of the Functional Areas is shown in Exhibit 1. Definitions for each Functional Area are provided in Appendix C.

The FAIS is organized in three sections:

(a) Identification Information
(b) Organization and Costs

EXHIBIT 1

FUNCTIONAL AREAS

1. GENERAL ADMINISTRATION
   - A. General Administration: Federal Statistical Reporting
   - B. General Administration: Information Systems Planning
   - C. General Administration: Other
2. TRAINING
3. RECIPIENT SERVICES
   - A. Eligibility: Determination
   - B. Eligibility: Quality Control
4. PROVIDER SERVICES
   - A. EPSDT: Patient Care
   - B. EPSDT: Administrative
   - C. Physician
   - D. Family Planning
   - E. Pharmacy
   - F. Pathology and Radiology
   - G. Health Maintenance Organizations (HMOs)
   - H. Clinics
   - I. Hospitals
   - J. Long-Term Facilities: Medical Reviews and Independent Practitioner Reviews
   - K. Long-Term Care Facilities: Other
   - L. Dental
   - M. Other Provider Services
5. CLAIMS PROCESSING
6. SURVEILLANCE AND UTILIZATION REVIEW
7. THIRD-PARTY LIABILITY
8. FRAUD CONTROL
   - A. Fraud Control: Detection
   - B. Fraud Control: Investigation
   - C. Fraud Control: Prosecution
9. COST SETTLEMENT
   - A. Cost Settlement: Hospitals
   - B. Cost Settlement: Long-Term Care Facilities

(c) Decision-Making and Resource Allocation.

The basic information collected from these interviews completes the detail of the administrative personnel allocation and budget requirements for each administrative unit of a given functional area.

COST MATRIX

The procedures employed to identify and document a state's Medicaid administrative costs for each functional area are described in this section. This procedure is not an audit, although it could be used in conjunction with either a financial or management audit. It is recognized that there are significant differences among the states in the organization, implementation, and operation of Medicaid. Thus, this procedure has been tailored to provide a flexible approach so that each state's differences can be acknowledged in order to yield meaningful data.

The cost matrix identifies various categories of Medicaid Administrative Costs for each of the functional areas set forth in Exhibit 1. The format of the cost matrix is set forth as Exhibit 2.

The approach employed is a two-phased effort. Phase 1, Data Mapping, involves identification of data sources on Medicaid administrative costs. The goal is to prepare a first version of the cost matrix with an identification, or pointer, of the source of the required data. For example, by examining a hypothetical state Chart of Accounts, it is determined that account number 774.21 contains the personnel costs for processing claims using an approved MMIS. During Phase 1, at the intersection of the functional areas "Claims Processing 75 percent FFP" and "Personnel Other," the entry

EXHIBIT 2

MEDICAID ADMINISTRATIVE COSTS PROJECT

COST MATRIX

FUNCTIONAL AREA	FTE PERSONS			PERSONNEL $			TRAVEL $			OTHER $					TOTAL $			FEDERAL $	PERCENT ADMIN $ OF TOTAL ADMIN $	PERCENT ADMIN $ OF TOTAL MAP	FEDERAL %
										EDP											
	MED	OTHR	TOT	MED	OTHR	TOT	MED	OTHR	TOT	FA	STATE	MED	OTHR	TOT	MED	OTHR	TOT				

"GL774.21" would be made. This would signify that the data can be found in the general ledger (GL) under account number 774.21. In a like manner, all the sources will be identified for each required cost matrix element.

Phase 2, "Data Collection," completes a second version of the matrix by entering the data obtained according to the map created in Phase 1. After this has been completed, certain extensions and computations are calculated.

This two-phased approach has two advantages. First, it allows for the individuality of each state's program, but still permits consistent measurement. Second, it permits the use of personnel without extensive Medicaid experience during Phase 2, without any loss in effectiveness. Finally, it is self documenting and minimizes the problems inherent in a dynamically structured environment.

The primary data collection goals were to complete the cells of the Cost and Revenue Matrices. The data for these cells were obtained by indepth interviews with Medicaid staff responsible for functional areas. Each area of the Medicaid organization was allocated to the appropriate functional areas; each functional area was allocated to the appropriate federal financial participation (FFP) percentages. Data from state records were entered into the Cost and Revenue Matrices according to appropriate mapping procedures.

The four principal entries for the Cost Matrix were as follows:

1. Federal $

Represents the portion of the administrative cost in a particular functional area which is reimbursed by the Federal government. On each detail line for a particular FFP, the entry in the Federal $ column is the product of the entry

in the Total $ - TOT column multiplied by the FFP percentage for the particular line in the Cost Matrix.

The entry in the Federal $ column on the various subtotal and total lines is the sum of the appropriate entries in the categories.

2. Percent ADMIN $ of Total ADMIN $

Represents the percentage of total administrative costs which are allocated to a particular functional area. The entry in this column for a particular function is the percentage of the entry in the Total $ - TOT column to total Medicaid Administrative Costs.

3. Percent ADMIN $ of Total MAP

Represents the percentage of administrative costs for a particular function to total Medical Assistance Payments (MAP)*. The entry in this column for a particular function is the percentage of the entry in the Total $ - TOT column to total MAP.

4. Federal Percent

Represents the percentage of Medicaid Administrative Costs in a functional area which are reimbursed by the Federal government. The entry in the Federal percent column for a particular function is the percentage of the entry in the Federal $ column to the entry in the Total $ - TOT column for the particular line in the Cost Matrix.

REVENUE MATRIX

The procedures employed to identify and document a state's Medicaid revenues by functional area are summarized in this

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* i.e., medical vendor payments.

section. These revenues consist of the funds provided by Title XIX, other Federal titles, state, county, local government, third party, and any other sources which are used to offset the Medicaid costs identified and documented on the Cost Matrix in the previous section. Exhibit 3 shows the format of the Revenue Matrix.

The approach employed to complete the Revenue Matrix is conceptually identical with the approach used to complete the Cost Matrix. It is a flexible approach consisting of two phases, Data Mapping and Data Collection. Data Mapping consists of identifying the location of the data to complete a specific Revenue Matrix element. The data collection phase completes a second version of the Revenue Matrix by entering the data according to the map created in the first phase.

The summary computations for the Revenue Matrix are as follows:

a. Federal - Title XIX - TOT

Represents the total dollars of revenue provided by the Federal government to fund the state's Medicaid Program. The entry in the Federal - Title XIX - TOT column for a particular function is the sum of the entry in the Federal - Title XIX - 50 percent column plus the entry in the Federal - Title XIX - 75 percent column, plus the entry in the Federal - Title XIX - 90 percent column, and the entry in the Federal - Title XIX - 100 percent column for the particular line on the Revenue Matrix.

b. Federal - Other Titles - TOT

Represents total funding received from the Federal government for all non-Medicaid programs. The entry in the Federal - Other Titles - TOT column for a particular row is the sum of the entry in the Federal - Other Titles - IV-A

EXHIBIT 3

MEDICAID ADMINISTRATIVE COSTS PROJECT

REVENUE MATRIX

FUNCTIONAL AREA	FEDERAL												STATE	COUNTY/ LOCAL	THIRD PARTY INSURANCE	OTHR	TOTAL REVENUE
	TITLE XIX					OTHER TITLES											
	50%	75%	90%	100%	TOT	IV-A	V	XVI	XVIII	XX	OTHR	TOT					

column plus the entry in the Federal - Other Titles - V column, plus the entry in the Federal - Other Titles - XVI column, plus the entry in the Federal - Other Titles - XVIII column, plus the entry in the Federal - Other Titles - XX column, and the entry in the Federal - Other Titles - OTHR column for the particular row in the Revenue Matrix.

c. Total Revenue

Represents total revenue funding for the costs of a particular function of a state's Medicaid Program. The entry in the Total Revenue column for a particular function is the sum of the entry in the Federal - Title XIX - TOT column, plus the entry in the Federal - Other Titles - TOT column, plus the entry in the State column, plus the entry in the County/Local column, plus the entry in the Third Party Insurance column plus the entry in the OTHR column for the particular line on the Revenue Matrix.

CHAPTER III

TEST RESULTS

CHAPTER III

TEST RESULTS

The objective of this project is to analyze actual experience during a given fiscal year, rather than plans as set forth in a budget or similar document. The fiscal year ended June 30, 1976 was selected for Virginia. Actual costs, and actual functions performed were analyzed for the period from July 1, 1975 through June 30, 1976.

ADJUSTMENTS TO OA - 41 REPORTS FY 1976

During fiscal year 1976, a total of $10,042,244 of state and local administrative and training costs was reported as computable for Federal funding on the OA-41 reports. During discussions with Virginia Medicaid personnel, the following adjustments to the OA-41 total were identified to reflect more accurately actual administrative costs during fiscal year 1976:

Total expenditures computable for Federal funding	$10,042,244
Implied expenditures calculated from indirect cost rate of 9.4% and resulting in a Federal share of $113,748 (also included in OA-41)	277,496
Local Department of Health representatives quarterly payments not made until following fiscal year (Federally matchable)	66,395

Department of Health-Administration (personnel above Bureau of Medical Assistance not charged as Federally matchable)	$ 60,846
Attorney General - not charged	16,773
The Computer Corporation (fiscal agent) - additional charges paid in following fiscal year	14,837
Cost Settlement and Audit Fees charged to Title V program for prior fiscal year's services	3,808
Adjusted total expenditures for administration and training.	$10,432,399

Revenues were similarly adjusted.

As part of the analysis of Administrative Costs, the percentage of total expenditures for administration and training to medical assistance payments is calculated. (See Item 3 on page 11.) At the end of fiscal year 1976, medical assistance payments totaling $6,800,000 for services provided in that fiscal year were withheld for payment until the following fiscal year because of a shortage of funds. A similar withholding was not made at the beginning of the fiscal year. Medical assistance payments for fiscal year 1976, therefore, were increased by $6,800,000 to include the cost of all medical services provided during the year. This resulted in a total MAP of $200,319,000.

ANALYSIS OF ADMINISTRATIVE COSTS

A detailed analysis of the sources and uses of Medicaid administrative costs for Virginia during fiscal year 1976 were performed. The number of full-time equivalent positions, personnel, travel, data processing and other costs, and

Federal and state revenues, were anlyzed and allocated to nine major and twenty sub-classifications of Medicaid administrative functional areas. Further allocation into one of four Federal Financial Participation percentages was also performed.

Summary of Costs by Functional Area

A summary of Costs by Functional Area is set forth in Table 1. As shown on this schedule, more than half (54.9%) of total costs was spent in determining Medicaid eligibility. An additional 20.2 percent was spent to process medical assistance claims for payment. General administrative activities required 10.0 percent of total costs, provider services accounted for 6.5 percent, with the remaining 8.4 percent allocated to the other five functional areas.

An average of 320,366 recipients was enrolled in Virginia's Medicaid program*; average administrative cost per recipient was $32.56. A total of approximately 6,000,000 claims was paid; total costs of claims processing of $2,108,182 yields an average cost per claim of 35 cents. The cost of $5,338,763 for eligibility determinations (as shown on line 3.A of the Cost Matrix, Appendix A) yeilds a cost per recipient of $16.64 for eligibility determination.

State personnel costs accounted for 58.5 percent of total costs for all functional areas. Electronic Data Processing costs, most of which were paid to the fiscal agent, were 26.7 percent of total costs. The remaining costs were spent for travel (17%) and other costs (13.1%).

The Bureau of Medical Assistance of Virginia Department of Health had 109 authorized positions for Medicaid administration during the fiscal year 1976. Because of vacancies, these

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* To assure comparability across states, the number of recipients was obtained from Medicaid Statistics, DHEW Publication No. SRS 77-03153.

TABLE 1

SUMMARY OF MEDICAID ADMINISTRATIVE COSTS BY FUNCTIONAL AREA
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Functional Area	Full-Time Equivalent Positions	COSTS					Percentage of Total Costs
		Personnel	Travel	Electronic Data Processing	Other	Total	
General Administration	16.8	$ 256,253	$ 32,657	$ 413,524	$ 343,487	$ 1,045,921	10.0%
Training	.6	8,414	303	-0-	2,193	10,910	.1
Recipient Services	370.9	4,561,358	100,848	324,196	737,665	5,724,066	54.9
Provider Services	37.4	428,207	19,509	119,084	113,415	680,215	6.5
Claims Processing	23.9	250,535	18,178	1,766,350	73,119	2,108,182	20.2
Surveillance and Utilization Review	62.2	414,977	5,732	144,345	17,606	582,660	5.6
Third-Party Liability	1.8	18,663	-0-	2,658	2,775	24,096	.2
Fraud Control	3.3	54,292	322	-0-	5,695	60,309	.6
Cost Settlement	9.9	113,075	1,045	10,636	71,296	196,052	1.9
TOTAL COSTS	526.8	$6,105,774	$178,595	$2,780,793	$1,367,249	$10,432,411	
PERCENT OF TOTAL COSTS		58.5%	1.7%	26.7%	13.1%		100.0%

positions were equivalent to 99.2 full-time employees. The following Departments of the Commonwealth of Virginia also provided Medicaid administrative services:

Department	Full-Time Equivalent Positions
Welfare	354.6
Local Health	50.9
Vocational Rehabilitation	8.6
Certification Services	8.5
Health-Administrative Personnel above Bureau of Medical Assistance	2.2
Electronic Data Processing	2.0
Attorney General	.8
	427.6
Health-Bureau of Medical Assistance	99.2
TOTAL	526.8

The personnel costs set forth in the Cost Matrix include the salary and fringe benefit costs of these 526.8 equivalent positions. The personnel costs of consultants, both medical and management, and the fiscal agent, are not included in the number of equivalent positions nor in personnel costs, but are included as other costs (consultants) or data processing costs (fiscal agent).

Average personnel costs for the administration of the Virginia Medicaid program during fiscal year 1976 were $11,590. For each functional area, average personnel costs ranged from $16,452 to $6,672:

Functional Area	Average Personnel Costs
Fraud Control	$16,452
General Administration	15,253
Training	14,023
Recipient Services	12,298
Provider Services	11,449
Cost Settlement	11,422
Claims Processing	10,482
Third-Party Liability	10,368
Surveillance and Utilization Review	6,672

Summary of Costs by FFP Percentages

Table 2 contains a Summary of Costs by Federal Financial Participation (FFP) percentage. As set forth on this schedule, 91.3 percent of total costs were allocated to administrative functions with Federal Financial Percentages of 50 percent. Because of the use of medical personnel, 6.5 percent of the total costs have a FFP of 75 percent; the nursing home certification program, reimbursable at 100 percent FFP, accounted for 1.5 percent of total costs. The final 0.7 percent of total costs did not receive reimbursement from the Federal government.

Summary of Costs by Type of Provider

A Summary of Costs by Type of Provider is set forth in Table 3. As shown in this table, 52.7 percent of the FTEs in provider services was allocated to long-term care facilities, with 27.3 percent involved in medical review and independent practitioner review (MR/IPR), and the remaining 25.4 percent in other activities. Physicians had 23.8 percent of the FTEs allocated to provider services and the remaining provider types each had less than 10 percent.

Almost half (46 percent) of the total number of FTEs allocated to provider services was funded at the 50 percent FFP level. The 75 percent FFP rate received 31 percent, while 23 percent was funded at the 100 percent level.

Services to long-term care providers accounted for 43.4 percent of total provider services' costs, (19.3 percent to MR/IPR and 24.1 percent to other). Physicians received 17.7 percent of total costs for provider services and pharmacy received 15.1 percent; each other provider type received an allocation of less than 15 percent.

TABLE 2

SUMMARY OF MEDICAID ADMINISTRATIVE COSTS
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Description	FEDERAL FINANCIAL PARTICIPATION (FFP) PERCENTAGE				
	100%	75%	50%	0%	Total
Full-time Equivalent Positions	8.5	50.7	464.6	3.0	526.8
Costs:					
Personnel	$ 95,548	$ 660,623	$ 5,278,653	$ 70,950	$ 6,105,774
Travel	-0-	19,111	159,484	-0-	178,595
Electronic Data Processing:					
Fiscal Agent			2,641,595		2,641,595
State			139,198		139,198
Total EDP			$ 2,780,793		$ 2,780,793
Other	56,021	1,148	1,303,411	6,669	1,367,249
TOTAL COSTS	$ 151,569	$ 680,882	$ 9,522,341	$ 77,619	$10,432,411
PERCENT OF TOTAL COSTS	1.5%	6.5%	91.3%	.7%	100.0%

TABLE 3

SUMMARY OF MEDICAID ADMINISTRATIVE COSTS BY TYPE OF PROVIDER
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Type of Provider	FTEs		Total Costs	Percentage of Total Costs
	Number	Percent		
EPSDT: Patient Care	-0-	-0-	-0-	-0-
EPSDT: Administrative	.5	1.3%	$ 7,347	1.1%
TOTAL EPSDT	.5	1.3	$ 7,347	1.1%
Physicians	8.9	23.8	120,429	17.7
Pharmacy	2.3	6.2	102,444	15.1
Clinic	.1	.3	2,242	0.3
Hospitals	1.1	2.9	14,995	2.2
Long-Term Care: MR/IPR	10.2	27.3	131,559	19.3
Long-Term Care: Other	9.5	25.4	163,744	24.1
TOTAL LONG-TERM CARE	19.7	52.7	295,303	43.4
Dental	3.4	9.1	58,584	8.6
Other	1.4	3.7	78,862	11.6
TOTAL	37.4	100.0%	$680,206	100.0%
DISTRIBUTION BY FFP:				
100% FFP	8.6	23.0%	151,569	22.3%
90% FFP	-0-	-0-	-0-	-0-
75% FFP	11.6	31.0	193,974	28.5
50% FFP	17.2	46.0	334,663	49.2
TOTAL	37.4	100.0%	$680,206	100.0%

Almost half (49.2 percent) of total provider services costs was funded at the 50 percent FFP rate. The 75 percent FFP rate funded 28.5 percent of total provider services' costs, and the 100 percent FFP rate had an allocation of 22.3% of provider services costs.

Federal Share of Costs by Functional Area

A summary of the Federal Share of Costs by Functional Area is set forth in Table 4. A total of $5,423,401 was provided by federal funds for its share of administrative costs during fiscal year 1976; thus, the Federal Government provided funds for 52 percent of total costs. Total administrative costs were 5.21 percent of total medical assistance payments paid during the year.

Recipient services received 53.1 percent of federal funds, with 20.1 percent allocated to provider services and 9.9 percent to general administration. The allocation of federal funds to the functional areas generally followed the allocation of total costs to functional areas.

Of the costs allocated to provider services, 66.6 percent were provided by federal funds; similarly, training received 62 percent of total costs from federal funds. At the other end of the range, the minimum 50 percent of federal support occurred in recipient services, and fraud control was below the minimum in federal support because of costs relating to prosectution which were not reimbursed at all by the Federal Government.

The provision of recipient services, primarily eligibility determination was 2.86 percent of total medical assistance payments (MAP). Expenditures for claims processing were 1.05 percent of MAP, while expenditures for general administration equalled .52 percent of MAP.

TABLE 4

FEDERAL SHARE OF MEDICAID ADMINISTRATIVE COSTS BY FUNCTIONAL AREA
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Functional Area	Federal Share of Total Administrative Costs		Federal Expenditure as Percentage of Total Administrative Expenditure in Each Functional Area	Total Expenditure in Each Functional Area as Percentage of Total Medical Assistance Payments
	Amount	Percentage		
General Administration	$ 536,790	9.9%	51.3%	.52%
Training	6,771	0.1	62.0	.01
Recipient Services	2,381,154	53.1	50.3	2.86
Provider Services	453,151	8.4	66.6	.34
Claims Processing	1,091,017	20.1	51.8	1.05
Surveillance and Utilization Review	311,838	5.7	53.5	.29
Third Party Liability	12,326	0.2	51.2	.01
Fraud Control	28,081	0.5	46.6	.03
Cost Settlement	102,272	2.0	52.2	.10
TOTAL	$5,423,401	100.0%	52.0%	5.21%

Administrative Costs as a Function of FFP Percentages

Table 5 gives the amount and percentage of total administrative expenditures as a function of the matching rates. The functional areas able to benefit most from matching incentives are Training (48.0% of administrative costs are matched at greater than 50%), Fraud Control (42.0%), and Provider Services (44.2%). Of these areas, however, only Provider Services has a large enough expenditure ($680,215) to make the extra dollars attracted through higher FFP's ($113,045) a significant increase to the overall operations budget.

Five functional areas (Recipient Services, Claims Processing, General Administration, Provider Services, and Surveillance and Utilization Review) are responsible for 97.2 percent of all administrative costs incurred (see Table 1). However, only 7.7 percent of these costs are matched at a rate greater than 50 percent (see Table 5). This suggests that the actual impact of incentive FFP percentages is minimal in the overall allocation of administrative dollars in Virginia's Medicaid budget.

Type of Cost as a Percent of Total by Functional Area

The amount of money spent within functional areas will vary predictably according to the function. Table 6 summarizes these relationships.

The main conclusions resulting from an analysis of the distribution of administrative costs within functional areas are:

- Personnel costs account for a majority of the cost in all functional areas except general administration and claims processing.
- Travel expense appears to range consistently for each functional area from one to three percent.

TABLE 5

MEDICAID ADMINISTRATIVE COSTS AS A FUNCTION
OF FFP PERCENTAGES BY FUNCTIONAL AREA
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Functional Area	Administrative Costs by Federal Financial Participation					
	50% FFP		75, 90 & 100% FFPs		TOTAL	
	Amount	Percent	Amount	Percent	Amount	Percent
General Administration	$ 808,069	77.3%*	$177,007	17.0%	$ 985,076	94.3%
Training	5,646	52.0	5,264	48.0	10,910	100.0
Recipient Services	5,647,581	98.7	76,485	1.3	5,724,066	100.0
Provider Services	379,607	55.8	300,607	44.2	680,214	100.0
Claims Processing	1,960,476	93.0	147,706	7.0	2,108,182	100.0
Surveillance and Utilization Review	500,627	85.9	82,033	14.1	582,660	100.0
Third Party Liability	22,984	95.4	1,112	4.6	24,096	100.0
Fraud Control	18,281	30.0*	25,254	42.0	43,535	72.0
Cost Settlement	179,068	91.3	16,984	8.7	196,052	100.0
TOTAL	$9,522,339	92.0%	$832,452	8.0%	$10,354,791	99.9%

*Note: $60,845 in General Administration costs and $16,774 in Fraud Control costs have 0% FFP.

TABLE 6

TYPE OF MEDICAID ADMINISTRATIVE COSTS
AS A PERCENT OF TOTAL BY FUNCTIONAL AREA
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Type of Cost	FUNCTIONAL AREA								
	General Administrative	Training	Recipient Services	Provider Services	Claims Processing	Surveillance and Utilization Review	Third-Party Liability	Fraud Control	Cost Settlement
Personnel	24.6%	77.1%	79.7%	62.9%	11.8%	71.2%	77.5%	90.0%	57.7%
Travel	3.1	2.8	1.8	2.9	.9	1.0	-0-	.5	.5
EDP	39.5	-0-	5.7	17.5	83.8	24.8	11.0	-0-	5.4
Other	32.8	20.1	12.8	16.7	3.5	3.0	11.5	9.5	36.4
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- EDP costs under general administration are higher than normal due to nonrecurring system development work done during the year.

- Eligibility reflects a high ratio of personnel cost to EDP cost, implying that this function is labor intensive and little automation support exists.

- The "other" costs in general administration, which comprise 33 percent of costs in this functional area are the result of systems development costs.

- Audit fees account for the large percentage of "other" costs (36 percent) in cost settlement.

- Claims processing is a highly automated function; consequently, 84 percent of the total claims processing cost is for EDP services.

The complete cost matrix for Virginia is presented in Appendix A.

REVENUE MATRIX

The profile of Revenues received in support of the Administrative Costs discussed above is presented in Table 7. Fifty-two percent of revenues were provided by the Federal Title XIX (Medicaid) program, with the balance provided by the Commonwealth of Virginia. During the analysis, these were the only sources of funds identified; no revenues were identified which were provided by other Federal programs or other sources. The complete revenue matrix for Medicaid Administrative Costs for Virginia is set forth as Appendix B.

FURTHER CONSIDERATIONS FOR ANALYSIS

Since administration of Medicaid is under the control of each state, methods and procedures for processing claims

TABLE 7

SUMMARY OF MEDICAID ADMINISTRATIVE REVENUES BY FFP
COMMONWEALTH OF VIRGINIA
(July 1, 1975 through June 30, 1976)

Federal Financial Participation (FFP) Percentage	Federal Title XIX	Commonwealth of Virginia	Total Revenue	Percentage of Total
100%	$ 151,569	$ -0-	$ 151,569	1.5%
75	510,662	170,220	680,882	6.5%
50	4,761,170	4,761,171	9,522,341	91.3%
0	-0-	77,619	77,619	9.7%
TOTAL REVENUE	$5,423,401	$5,009,010	$10,432,411	
PERCENTAGE OF TOTAL	52.0%	48.0%		100.0%

as well as the operating environment will reflect variances that are not apparent when, at the Federal level, one attempts state-by-state comparisons of the numbers. Anticipated variances are known to exist, for example, among states that are characterized by the following profiles:

Characteristic	Example Profile A	Example Profile B
Geographic Location	Rural populations dominate Medicaid eligibility	Urban populations dominate Medicaid eligibility
Eligibility complexity	State consists of dynamic recipient movement with high rate of first time recipients	Recipient group is stable and claims reflect high repeat factor
Economic variables	State capitol subject to high salary levels	Low cost labor force available
Staff stability	Low employee turnover contributing to high level of experience	Competitive employment opportunities force changes in staff
Automation	Sophisticated on-line system	Manual system
Case volumes	Large processing centers can derive economies of scale thus reducing unit costs	Small centers have a significant fixed base cost to bear in unit costs
Interagency	Affiliated agencies within the state cooperate well with no redundancy	Operations are fragmented and state agencies do not cooperate
Fraud impact	Area influenced by high incidence of fraud	Experience indicates the area is less subject to fraud

Taking the above examples as factors that can influence the cost of administering Medicaid the reader, then, is cautioned with respect to examining differences between this state and any other unless such variances are factored out. As an example, if one were to attempt such adjustments of the nearly 60 elements of dollar costs reported in the Virginia Cost Matrix, an analysis of one cost (EDP cost for eligibility) might include the following description of variance factors:

Electronic Data Processing Cost for Eligibility

$324,196

Geographic Location

Data processing costs should not be influenced by the recipients' accessibility.

Automation

Data processing costs will vary significantly depending on the degree of automation and the sophistication of on-line processing.

Economic Variables

Salaries of data processing personnel will impact the cost significantly. If done under contract this variable will tend to smooth out because of standard salary levels set by the contractor.

Eligibility Complexity

Data processing costs will rise as the recipient data base becomes more dynamic. Determining eligibility for a first time claimant will require more data processing effort than for a repeat claimant.

Staff Stability

This variable tends to be less apparent when the service is performed by a contractor. Service quality may be affected but costs are not.

Case Volumes

Although total data processing costs will increase as volume of claims increases, the unit price may go down because fixed costs are spread over a broader base.

Interagency Relationships

This factor will influence costs only if computer services are shared by state agencies.

Fraud Impact

Data processing costs could rise significantly as a result of sophisticated software developed to cross reference the recipient with other data bases in determining eligibility.

CHAPTER IV

TEST CONCLUSIONS

CHAPTER IV

TEST CONCLUSIONS

As result of the test in the Commonwealth of Virginia of the proposed methodology for analyzing Medicaid administrative cost, several revisions to the methodology were made. Specifically, an on-line computer system was developed, and the Director's Interview Schedule and the Functional Area Interview Schedule were revised and reorganized.

The on-line computer system was developed on a time-sharing service in order to edit, allocate, and control a state's cost data. The cost matrix, revenue matrix, and several supporting reports, including a report of the detailed sources of cost for each cell of the cost matrix, an analysis of personnel costs for each organization providing personnel to a state's Medicaid administrative functions, and a detailed list of input data, were produced.

The Director's Interview Schedule was reorganized in order to provide a more logical flow during the interview process.

A similar reorganization of the Functional Area Interview Schedule was also made. In addition, forms and procedures for systematically entering and controlling data into the on-line computer system were developed.

APPENDICES

APPENDIX A

COST MATRIX FOR MEDICAID ADMINISTRATIVE COSTS FOR THE COMMONWEALTH OF VIRGINIA DURING FISCAL YEAR 1976

ING FISCAL YEAR 1976

TOTAL COST			FEDERAL DOLLARS	FUNCTIONAL AREA ADMINISTRATIVE COSTS AS A PERCENTAGE OF TOTAL ADMINISTRATIVE COSTS	PERCENT ADMINISTRATIVE COST TO TOTAL MAP	FEDERAL DOLLARS AS A PERCENT OF TOTAL ADMINISTRATIVE COST
MEDICAL	OTHER	TOTAL				
0	18,879	18,879	14,159	.18	.01	75.00
0	144,334	144,334	72,167	1.38	.07	50.00
0	163,213	163,213	86,326	1.56	.08	52.89
0	20,543	20,543	15,407	.20	.01	75.00
0	288,228	288,228	144,114	2.76	.14	50.00
0	308,771	308,771	159,521	2.96	.15	51.66
58,008	79,576	137,584	103,188	1.32	.07	75.00
0	375,509	375,509	187,755	3.60	.19	50.00
25,024	35,821	60,845	0	.58	.03	.00
83,032	490,906	573,938	290,943	5.50	.29	50.69
83,032	962,890	1,045,922	536,790	10.03	.52	51.32
367	4,896	5,263	3,947	.05	.00	75.00
0	5,646	5,646	2,823	.05	.00	50.00
367	10,542	10,909	6,770	.10	.01	62.06
0	5,338,763	5,338,763	2,669,382	51.17	2.67	50.00
0	5,338,763	5,338,763	2,669,382	51.17	2.67	50.00
50,235	21,903	72,138	54,104	.69	.04	75.00
0	18,903	18,903	9,452	.18	.01	50.00
50,235	40,806	91,041	63,555	.87	.05	69.81
3,079	1,265	4,344	3,258	.04	.00	75.00
0	289,915	289,915	144,958	2.78	.14	50.00
3,079	291,180	294,259	148,216	2.82	.15	50.37
53,314	5,670,749	5,724,063	2,881,152	54.87	2.86	50.33
0	0	0	0	.00	.00	.00
0	1,128	1,128	846	.01	.00	75.00
0	6,219	6,219	3,110	.06	.00	50.00
0	7,347	7,347	3,956	.07	.00	53.84
0	7,347	7,347	3,956	.07	.00	53.84

APPENDIX A

COST MATRIX FOR MEDICAID ADMINISTRATIVE COSTS FOR THE COMMONWEALTH OF VIRGINIA DURING FISCAL YEAR 1976

FUNCTIONAL AREA	FTE PERSONS			PERSONNEL COST			TRAVEL COST			OTHER COST					TOTAL COST			FEDERAL DOLLARS	FUNCTIONAL AREA ADMINISTRATIVE COSTS AS A PERCENTAGE OF TOTAL ADMINISTRATIVE COSTS	PERCENT ADMINISTRATIVE COST TO TOTAL MAP	FEDERAL DOLLARS AS A PERCENT OF TOTAL ADMINISTRATIVE COST
										EOP											
	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL	FISCAL AGENT	STATE	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL				
1 GENERAL ADMINISTRATION																					
1.A FEDERAL STATISTICAL REPORTING																					
75% FFP	.00	1.30	1.30	0	17,975	17,975	0	904	904	0	0	0	0	0	0	18,879	18,879	14,150	18	.01	75.00
50% FFP	.00	.94	.94	0	7,648	7,648	0	5,363	5,363	117,757	7,976	0	5,590	131,323	0	144,334	144,334	72,167	1.38	.07	50.00
TOTAL	.00	2.24	2.24	0	25,623	25,623	0	6,267	6,267	117,757	7,976	0	5,590	131,323	0	163,213	163,213	86,326	1 60	.00	52.89
1.B INFORMATION SYSTEMS PLANNING																					
75% FFP	.00	1.05	1.05	0	19,815	19,815	0	728	728	0	0	0	0	0	0	20,543	20,543	15,407	20	.01	76.00
50% FFP	.00	.00	.00	0	0	0	0	0	0	286,462	0	0	1,766	288,228	0	288,228	288,228	144,114	2.78	14	50.00
TOTAL	.00	1.06	1.05	0	19,815	19,815	0	728	728	286,462	0	0	1,766	288,228	0	308,771	308,771	159,521	2.06	.16	51.66
1.C OTHER ADMINISTRATIVE																					
75% FFP	2.10	6.27	8.37	56,950	75,864	132,814	1,058	3,712	4,770	0	0	0	0	0	58,008	79,576	137,584	103,188	1.32	07	75.00
50% FFP	.00	2.97	2.97	0	22,384	22,384	0	20,891	20,891	0	1,329	0	330,905	332,234	0	376,509	375,509	187,765	3 60	10	50 00
0% FFP	.60	1.70	2.20	22,874	32,743	55,617	0	0	0	0	0	2,150	3,078	5,228	25,024	35,821	00,846	0	.68	03	00
TOTAL	2.60	10.94	13.54	79,824	130,991	210,815	1,058	24,603	25,661	0	1,329	2,150	333,983	337,462	83,032	490,906	573,938	290,913	5 50	.20	50.69
TOTAL GENERAL ADMINISTRATION	2.60	14.23	16.83	79,824	176,429	256,253	1,058	31,598	32,656	404,219	9,305	2,150	341,339	757,013	83,032	962,890	1,045,922	636,790	10.03	52	51 12
2 TRAINING																					
75% FFP	.02	.22	.24	360	3,639	3,999	7	109	116	0	0	0	1,148	1,148	367	4,896	6,263	3,947	.05	.00	76.00
50% FFP	.00	.35	.35	0	4,415	4,415	0	186	186	0	0	0	1,045	1,045	0	5,646	5,646	2,823	05	00	50.00
TOTAL TRAINING	.02	.57	.59	360	8,054	8,414	7	295	302	0	0	0	2,193	2,193	367	10,542	10,909	6,770	.10	01	62.06
3 RECIPIENT SERVICES																					
3.A ELIGIBILITY:DETERMINATION																					
50% FFP	.00	363.14	363.14	0	4,480,799	4,480,799	0	98,481	98,481	0	86,024	0	873,459	759,483	0	5,338,763	5,338,763	2,669,382	51.17	2.67	50.00
TOTAL	.00	363.14	363.14	0	4,480,799	4,480,799	0	98,481	98,481	0	86,024	0	873,459	769,483	0	5,338,763	5,338,763	2,669,382	51.17	2.67	50.00
3.0 ELIGIBILITY:QUALITY CONTROL																					
75% FFP	4.34	2.48	6.82	48,966	21,175	70,141	1,269	728	1,997	0	0	0	0	0	50,235	21,903	72,138	54,104	.69	04	75.00
50% FFP	.00	.62	.52	0	4,698	4,698	0	266	266	0	0	0	13,939	13,939	0	18,903	18,903	9,452	18	01	50.00
TOTAL	4.34	3.00	7.34	48,966	25,873	74,839	1,269	994	2,263	0	0	0	13,939	13,939	50,235	40,806	91,041	63,556	.87	05	69 81
3.C OTHER RECIPIENT SERVICES																					
75% FFP	.17	.17	.34	3,029	1,215	4,244	50	50	100	0	0	0	0	0	3,079	1,265	4,344	3,258	04	00	75.00
50% FFP	.00	.10	.10	0	1,476	1,476	0	0	0	235,514	2,658	0	50,267	288,439	0	289,916	289,916	144,958	2.78	14	50 00
TOTAL	.17	.27	.44	3,029	2,691	6,720	50	50	100	235,514	2,658	0	50,287	288,439	3,079	291,180	294,250	148,216	2.82	16	50.37
TOTAL RECIPIENT SERVICES	4.61	366.41	370.92	51,995	4,509,363	4,561,358	1,319	99,525	100,844	235,514	88,682	0	737,665	1,061,861	53,314	6,670,749	5,724,063	2,881,162	54 87	2 86	50.33
4 PROVIDER SERVICES																					
4.A EPSDT:PATIENT CARE	.00	.00	.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	.00	.00	.00
4.0 EPSDT:ADMINISTRATIVE																					
75% FFP	.00	.07	.07	0	1,109	1,109	0	19	19	0	0	0	0	0	0	1,128	1,128	846	.01	.00	76.00
50% FFP	.00	.40	.40	0	5,094	5,094	0	330	330	0	0	0	795	795	0	6,219	0,219	3,110	00	.00	50.00
TOTAL	.00	.47	.47	0	6,203	6,203	0	349	349	0	0	0	795	795	0	7,347	7,347	3,956	.07	00	53.84
TOTAL EPSDT	.00	.47	.47	0	6,203	6,203	0	349	349	0	0	0	795	795	0	7,347	7,347	3,956	07	00	53 84

EAR 1976

TOTAL COST			FEDERAL DOLLARS	FUNCTIONAL AREA ADMINISTRATIVE COSTS AS A PERCENTAGE OF TOTAL ADMINISTRATIVE COSTS	PERCENT ADMINISTRATIVE COST TO TOTAL MAP	FEDERAL DOLLARS AS A PERCENT OF TOTAL ADMINISTRATIVE COST
MEDICAL	OTHER	TOTAL				
8,097	9,380	17,477	13,108	.17	.01	75.00
0	102,952	102,952	51,476	.99	.05	50.00
8,097	112,332	120,429	64,584	1.15	.06	53.63
0	0	0	0	.00	.00	.00
1,473	1,707	3,180	2,385	.03	.00	75.00
975	98,289	99,264	49,632	.95	.05	50.00
2,448	99,996	102,444	52,017	.98	.05	50.78
0	0	0	0	.00	.00	.00
0	0	0	0	.00	.00	.00
0	418	418	314	.00	.00	75.00
0	1,824	1,824	912	.02	.00	50.00
0	2,242	2,242	1,226	.02	.00	54.66
18	4,547	4,565	3,424	.04	.00	75.00
0	10,430	10,430	5,215	.10	.01	50.00
18	14,977	14,995	8,639	.14	.01	57.61
63,901	22,717	86,618	64,964	.83	.04	75.00
0	44,941	44,941	22,471	.43	.02	50.00
63,901	67,658	131,559	87,434	1.26	.07	66.46
0	151,569	151,569	151,569	1.45	.08	100.00
7,730	1,022	8,752	6,564	.08	.00	75.00
0	3,423	3,423	1,712	.03	.00	50.00
7,730	156,014	163,744	159,845	1.57	.08	97.62
71,631	223,672	295,303	247,279	2.83	.15	83.74
18,471	4,807	23,278	17,459	.22	.01	75.00
0	35,306	35,306	17,653	.34	.02	50.00
18,471	40,113	58,584	35,112	.56	.03	59.93
533	3,084	3,617	2,713	.03	.00	75.00
0	75,245	75,245	37,623	.72	.04	50.00
533	78,329	78,862	40,335	.76	.04	51.15
01,198	579,008	680,296	453,146	6.52	.34	66.62
119,894	27,813	147,707	110,780	1.42	.07	75.00
28,225	1,932,244	1,960,469	980,235	18.79	.98	50.00
148,119	1,960,057	2,108,176	1,091,015	20.21	1.05	51.75

APPENDIX A (Continued)

COST MATRIX FOR MEDICAID ADMINISTRATIVE COSTS FOR THE COMMONWEALTH OF VIRGINIA DURING FISCAL YEAR 1976

FUNCTIONAL AREA	FTE PERSONS			PERSONNEL COST			TRAVEL COST			OTHER COST					TOTAL COST			FEDERAL DOLLARS	FUNCTIONAL AREA ADMINISTRATIVE COSTS AS A PERCENTAGE OF TOTAL ADMINISTRATIVE COSTS	PERCENT ADMINISTRATIVE COST TO TOTAL MAP	FEDERAL DOLLARS AS A PERCENT OF TOTAL ADMINISTRATIVE COST
										EDP											
	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL	FISCAL AGENT	STATE	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL				
4.C PHYSICIAN																					
75% FFP	.44	.88	1.32	7,937	9,060	16,997	160	320	480	0	0	0	0	0	8,097	9,380	17,477	13,108	17	.01	75.00
50% FFP	.00	7.61	7.61	0	80,621	80,621	0	4,063	4,063	0	0	0	18,268	18,268	0	102,952	102,952	61,476	.99	.05	50.00
TOTAL	.44	8.49	8.93	7,937	89,681	97,618	160	4,383	4,543	0	0	0	18,268	18,268	8,097	112,332	120,429	64,584	1.15	.06	53.63
4.O FAMILY PLANNING	.00	.00	.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	.00	.00	.00
4.E PHARMACY																					
75% FFP	.08	.16	.24	1,443	1,647	3,090	30	60	90	0	0	0	0	0	1,473	1,707	3,180	2,385	.03	.00	75.00
50% FFP	.00	2.08	2.08	0	25,862	25,862	0	6,089	6,089	58,878	1,329	975	6,131	67,313	975	98,289	99,264	49,632	.95	.05	50.00
TOTAL	.08	2.24	2.32	1,443	27,509	28,952	30	6,149	6,179	58,878	1,329	975	6,131	67,313	2,448	99,996	102,444	52,017	.98	.05	50.78
4.F PATHOLOGY AND RADIOLOGY	.00	.00	.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	.00	.00	.00
4.G HMO'S	.00	.00	.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	.00	.00	.00
4.H CLINIC																					
75% FFP	.00	.02	.02	0	411	411	0	7	7	0	0	0	0	0	0	418	418	314	.00	.00	75.00
50% FFP	.00	.12	.12	0	1,488	1,488	0	100	100	0	0	0	236	236	0	1,824	1,824	912	.02	.00	50.00
TOTAL	.00	.14	.14	0	1,899	1,899	0	107	107	0	0	0	236	236	0	2,242	2,242	1,226	.02	.00	54.60
4.I HOSPITALS																					
75% FFP	.00	.35	.35	18	4,444	4,462	0	103	103	0	0	0	0	0	18	4,547	4,565	3,424	.04	.00	75.00
50% FFP	.00	.75	.75	0	7,808	7,808	0	611	611	0	0	0	2,011	2,011	0	10,430	10,430	5,215	.10	.01	50.00
TOTAL	.00	1.10	1.10	18	12,252	12,270	0	714	714	0	0	0	2,011	2,011	18	14,977	14,005	8,639	.14	.01	57.01
4.J LTC:MR IPR																					
75% FFP	5.72	2.06	7.78	62,231	22,113	84,344	1,670	604	2,274	0	0	0	0	0	63,901	22,717	86,618	64,964	.83	.04	75.00
50% FFP	.00	2.37	2.37	0	24,814	24,814	0	1,952	1,952	0	0	0	18,175	18,175	0	44,941	44,941	22,471	4.1	.02	50.00
TOTAL	5.72	4.43	10.15	62,231	46,927	109,158	1,670	2,556	4,226	0	0	0	18,175	18,175	63,901	67,658	131,559	87,434	1.20	.07	60.40
4.K LTC:OTHER																					
100% FFP	.00	8.50	8.50	0	95,548	95,548	0	0	0	0	0	0	56,021	56,021	0	151,569	151,569	151,569	1.45	.08	100.00
75% FFP	.65	.05	.70	7,520	1,007	8,527	210	15	225	0	0	0	0	0	7,730	1,022	8,752	0,564	.08	.00	75.00
50% FFP	.00	.25	.25	0	1,612	1,612	0	210	210	0	0	0	1,601	1,601	0	3,423	3,423	1,712	.03	.00	50.00
TOTAL	.65	8.80	9.45	7,520	98,167	105,687	210	225	435	0	0	0	57,622	57,622	7,730	156,014	163,744	159,845	1.57	.08	97.62
TOTAL LONG TERM CARE	6.37	13.23	19.60	69,751	145,094	214,845	1,880	2,781	4,661	0	0	0	75,797	75,797	71,631	223,672	295,303	247,270	2.83	15	83.74
4.L DENTAL																					
75% FFP	.62	.30	.92	18,185	4,677	22,862	286	130	416	0	0	0	0	0	18,471	4,807	23,278	17,459	22	.01	75.00
50% FFP	.00	2.50	2.50	0	26,805	26,805	0	1,650	1,650	0	0	0	6,851	6,851	0	35,306	35,306	17,653	34	.02	50.00
TOTAL	.62	2.80	3.42	18,185	31,482	49,667	286	1,780	2,066	0	0	0	6,851	6,851	18,471	40,113	58,584	35,112	68	.03	59.93
4.M OTHER SERVICES																					
75% FFP	.03	.22	.25	522	3,016	3,538	11	68	79	0	0	0	0	0	533	3,084	3,617	2,713	03	.00	75.00
50% FFP	.00	1.14	1.14	0	13,215	13,215	0	809	809	58,877	0	0	2,344	61,221	0	75,245	75,245	37,023	72	04	50.00
TOTAL	.03	1.36	1.39	522	16,231	16,753	11	877	888	58,877	0	0	2,344	61,221	533	78,329	78,862	40,336	76	04	51.15
TOTAL PROVIDER SERVICES	7.54	29.83	37.37	97,856	330,351	428,207	2,367	17,140	19,507	117,755	1,329	975	112,433	232,492	101,198	579,008	680,206	453,146	6 62	34	66 62
5 CLAIMS PROCESSING																					
75% FFP	10.35	3.26	13.61	116,834	26,790	143,624	3,060	1,023	4,083	0	0	0	0	0	119,894	27,813	147,707	110,780	1 42	07	75.00
50% FFP	.00	10.28	10.28	0	106,911	106,911	0	14,091	14,091	1,766,350	0	28,225	44,892	1,839,467	28,225	1,932,244	1,960,469	980,235	10 70	.08	50.00
TOTAL CLAIMS PROCESSING	10.35	13.54	23.89	116,834	133,701	250,535	3,060	15,114	18,174	1,766,350	0	28,225	44,892	1,839,467	148,119	1,960,057	2,108,176	1,091,015	20 21	1.06	51.75

L YEAR 1976

TOTAL COST			FEDERAL DOLLARS	FUNCTIONAL AREA ADMINISTRATIVE COSTS AS A PERCENTAGE OF TOTAL ADMINISTRATIVE COSTS	PERCENT ADMINISTRATIVE COST TO TOTAL MAP	FEDERAL DOLLARS AS A PERCENT OF TOTAL ADMINISTRATIVE COST
MEDICAL	OTHER	TOTAL				
63,532	18,499	82,031	61,523	.79	.04	75.00
0	500,627	500,627	250,314	4.80	.25	50.00
63,532	519,126	582,658	311,837	5.59	.29	53.52
0	1,112	1,112	834	.01	.00	75.00
0	22,984	22,984	11,492	.22	.01	50.00
0	24,096	24,096	12,326	.23	.01	51.15
17,755	6,387	24,142	18,107	.23	.01	75.00
0	8,021	8,021	4,011	.08	.00	50.00
17,755	14,408	32,163	22,117	.31	.02	68.77
0	1,112	1,112	834	.01	.00	75.00
0	10,260	10,260	5,130	.10	.01	50.00
0	11,372	11,372	5,964	.11	.01	52.44
0	16,774	16,774	0	.16	.01	.00
0	16,774	16,774	0	.16	.01	.00
17,755	42,554	60,309	28,081	.58	.03	46.56
0	5,601	5,601	4,201	.05	.00	75.00
0	68,078	68,078	34,039	.65	.03	50.00
0	73,679	73,679	38,240	.71	.04	51.90
0	11,383	11,383	8,537	.11	.01	75.00
0	110,990	110,990	55,495	1.06	.06	50.00
0	122,373	122,373	64,032	1.17	.06	52.33
0	196,052	196,052	102,272	1.88	.10	52.17
0	151,569	151,569	151,569	1.45	.08	100.00
0	0	0	0	.00	.00	90.00
13,093	267,779	680,872	510,654	6.53	.34	75.00
29,200	9,493,131	9,522,331	4,761,166	91.28	4.75	50.00
42,293	9,912,479	10,354,772	5,423,389	99.26	5.17	52.38
25,024	52,595	77,619	0	.74	.04	.00
67,317	9,965,074	10,432,391	5,423,389	100.00	5.21	51.99
0	200,319	200,319				
467	210,284	210,751				

APPENDIX A (Concluded)

COST MATRIX FOR MEDICAID ADMINISTRATIVE COSTS FOR THE COMMONWEALTH OF VIRGINIA DURING FISCAL YEAR 1976

FUNCTIONAL AREA	FTE PERSONS			PERSONNEL COST			TRAVEL COST			OTHER COST					TOTAL COST			FEDERAL DOLLARS	FUNCTIONAL AREA ADMINISTRATIVE COSTS AS A PERCENTAGE OF TOTAL ADMINISTRATIVE COSTS	PERCENT ADMINISTRATIVE COST TO TOTAL MAP	FEDERAL DOLLARS AS A PERCENT OF TOTAL ADMINISTRATIVE COST
										EDP											
	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL	FISCAL AGENT	STATE	MEDICAL	OTHER	TOTAL	MEDICAL	OTHER	TOTAL				
8 SURVEILLANCE & UTILIZATION REVIEW																					
75% FFP	3.00	1.91	4.91	62,392	17,718	80,110	1,140	781	1,921	0	0	0	0	0	63,532	18,499	82,031	61,623	79	.04	76.00
50% FFP	.00	57.28	57.28	0	334,867	334,867	0	3,810	3,810	117,757	26,588	0	17,605	161,950	0	500,627	500,627	250,314	4 80	.25	60.00
TOTAL SURVEILLANCE & UTILIZATION REVIEW	3.00	59.19	82.19	62,392	352,585	414,977	1,140	4,591	5,731	117,757	26,588	0	17,605	161,950	63,532	519,126	582,658	311,837	6 59	.29	63.52
7 THIRD PARTY LIABILITY																					
75% FFP	.00	.10	.10	0	1,112	1,112	0	0	0	0	0	0	0	0	0	1,112	1,112	834	.01	.00	75.00
50% FFP	.00	1.65	1.65	0	17,551	17,551	0	0	0	0	2,658	0	2,775	5,433	0	22,984	22,984	11,492	22	.01	50.00
TOTAL THIRD PARTY LIABILITY	.00	1.75	1.75	0	18,663	18,663	0	0	0	0	2,658	0	2,775	5,433	0	24,096	24,096	12,326	23	.01	51.16
8 FRAUD CONTROL																					
8.A DETECTION																					
75% FFP	.69	.56	1.25	17,468	6,352	23,820	287	35	322	0	0	0	0	0	17,755	6,387	24,142	18,107	23	.01	75.00
50% FFP	.00	.48	.48	0	5,112	5,112	0	0	0	0	0	0	2,909	2,909	0	8,021	8,021	4,011	.08	.00	50.00
TOTAL	.69	1.04	1.73	17,468	11,464	28,932	287	35	322	0	0	0	2,909	2,909	17,755	14,408	32,163	22,117	31	02	68.77
8.B INVESTIGATION																					
75% FFP	.00	.10	.10	0	1,112	1,112	0	0	0	0	0	0	0	0	0	1,112	1,112	834	01	.00	75.00
50% FFP	.00	.70	.70	0	8,915	8,915	0	0	0	0	0	0	1,345	1,345	0	10,260	10,260	5,130	10	01	50.00
TOTAL	.00	.80	.80	0	10,027	10,027	0	0	0	0	0	0	1,345	1,345	0	11,372	11,372	5,964	11	01	52.44
8.C PROSECUTION																					
0% FFP	.00	.75	.75	0	15,333	15,333	0	0	0	0	0	0	1,441	1,441	0	16,774	10,774	0	16	.01	.00
TOTAL	.00	.75	.75	0	15,333	15,333	0	0	0	0	0	0	1,441	1,441	0	16,774	16,774	0	10	01	.00
TOTAL FRAUD CONTROL	.89	2.59	3.28	17,468	36,824	54,292	287	35	322	0	0	0	5,695	5,695	17,755	42,654	60,309	28,081	.56	.03	46.56
8 COST SETTLEMENT																					
0.A HOSPITALS																					
75% FFP	.00	.31	.31	0	5,447	5,447	0	154	154	0	0	0	0	0	0	5,601	5,601	4,201	.05	.00	75.00
50% FFP	.00	3.77	3.77	0	41,121	41,121	0	237	237	0	5,318	0	21,402	26,720	0	68,078	68,078	34,039	65	.03	50.00
TOTAL	.00	4.08	4.08	0	46,568	46,568	0	391	391	0	5,318	0	21,402	26,720	0	73,870	73,679	38,240	71	04	51.00
0.0 LONG TERM CARE FACILITIES																					
75% FFP	.00	.63	.63	0	11,070	11,070	0	313	313	0	0	0	0	0	0	11,383	11,383	8,537	11	.01	75.00
60% FFP	.00	5.23	5.23	0	55,437	55,437	0	337	337	0	5,318	0	49,898	55,216	0	110,990	110,990	55,495	1.00	06	50.00
TOTAL	.00	5.86	5.86	0	66,507	66,507	0	650	650	0	5,318	0	49,898	55,216	0	122,373	122,373	64,032	1 17	.06	52 33
TOTAL COST SETTLEMENT	.00	9.94	9.94	0	113,075	113,075	0	1,041	1,041	0	10,636	0	71,300	81,936	0	196,052	196,052	102,272	1 88	10	52.17
10 ADMINISTRATIVE TOTALS																					
10.A MATCHED																					
100% FFP	.00	8.50	8.50	0	95,548	95,548	0	0	0	0	0	0	56,021	56,021	0	151,569	151,569	151,569	1 45	.08	100.00
00% FFP	.00	.00	.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	00	00	00.00
75% FFP	28.21	22.47	50.68	403,855	256,768	660,623	9,238	9,863	19,101	0	0	0	1,148	1,148	413,093	267,779	680,872	510,654	6 53	.34	75.00
50% FFP	.00	464.63	464.63	0	5,278,653	5,278,653	0	159,476	159,476	2,641,595	139,198	29,200	1,274,209	4,084,202	29,200	9,493,131	9,522,331	4,761,166	91 28	4 75	50 00
TOTAL MATCHED	28.21	495.60	523.81	403,855	5,630,969	6,034,824	9,238	169,339	178,577	2,641,595	139,198	29,200	1,331,378	4,141,371	442,203	9,912,479	10,354,772	5,423,389	09 26	5,17	52 38
NO FFP	.50	2.45	2.95	22,874	48,076	70,950	0	0	0	0	0	2,160	4,519	6,669	25,024	62,595	77,819	0	.74	04	00
TOTAL ADMINISTRATIVE	28.71	498.05	526.76	426,729	5,679,045	6,105,774	9,238	169,339	178,577	2,641,595	139,198	31,350	1,335,897	4,148,040	467,317	9,965,074	10,432,391	5,423,389	100.00	5 21	51.00
11 MAP (*1,006)	.00	.00	.00	0	0	0	0	0	0	0	0	0	200,319	200,319	0	200,319	200,310				
12 TOTAL MEDICAID (*1,000)	28.71	498.05	526.76	427	5,679	6,106	9	169	179	2,642	139	31	201,655	204,467	487	210,284	210,751				

APPENDIX B

REVENUE MATRIX FOR MEDICAID ADMINISTRATIVE COSTS FOR THE COMMONWEALTH OF VIRGINIA DURING FISCAL YEAR 1976

APPENDIX B

MEDICAID ADMINISTRATIVE COSTS PROJECT
COMMONWEALTH OF VIRGINIA
SUMMARY OF REVENUE BY FUNCTIONAL AREA AND SOURCE FOR FY 1976

FUNCTIONAL AREA	SOURCE		TOTAL REVENUE
	FEDERAL FUNDS	STATE FUNDS	
1. General Administration			
1.A. Federal Statistical Reporting			
75% FFP	$ 14,159	$ 4,720	$ 18,879
50% FFP	72,167	72,167	144,334
TOTAL	86,326	76,887	163,213
1.B. Information Systems Planning			
75% FFP	15,407	5,136	20,543
50% FFP	144,114	144,114	288,228
TOTAL	159,521	149,250	308,771
1.C. Other Administrative			
75% FFP	103,188	34,396	137,584
50% FFP	187,755	187,754	375,509
0% FFP	-0-	60,845	60,845
TOTAL	290,943	282,995	573,938
TOTAL GENERAL ADMINISTRATION	536,790	509,132	1,045,922
2. Training			
75% FFP	3,947	1,316	5,263
50% FFP	2,823	2,823	5,646
TOTAL TRAINING	6,770	4,139	10,909
3. Recipient Services			
3.A. Eligibility: Determination			
50% FFP	2,669,382	2,669,381	5,338,763
TOTAL	2,669,382	2,669,381	5,338,763
3.B. Eligibility: Quality Control			
75% FFP	54,104	18,034	72,138
50% FFP	9,452	9,451	18,903
TOTAL	63,556	27,485	91,041
3.C. Eligibility: Other			
75% FFP	3,258	1,086	4,344
50% FFP	144,958	144,957	289,915
TOTAL	148,216	146,043	294,259
TOTAL RECIPIENT SERVICES	2,881,152	2,842,911	5,724,063

FUNCTIONAL AREA	SOURCE		TOTAL REVENUE
	FEDERAL FUNDS	STATE FUNDS	
4. Provider Services			
4.A. EPSDT: Patient Care	$ -0-	$ -0-	$ -0-
4.B. EPSDT: Administrative			
75% FFP	846	282	1,128
50% FFP	3,110	3,109	6,219
TOTAL	3,956	3,391	7,347
TOTAL EPSDT	3,956	3,391	7,347
4.C. Physician			
75% FFP	13,108	4,369	17,477
50% FFP	51,476	51,473	102,952
TOTAL	64,584	55,845	120,429
4.D. Family Planning	-0-	-0-	-0-
4.E. Pharmacy			
75% FFP	2,385	795	3,180
50% FFP	49,632	49,632	99,264
TOTAL	52,017	50,427	102,444
4.F. Pathology and Radiology	-0-	-0-	-0-
4.G. HMO's	-0-	-0-	-0-
4.H. Clinics			
75% FFP	314	104	418
50% FFP	912	912	1,824
TOTAL	1,226	1,016	2,242
4.I. Hospitals			
75% FFP	3,424	1,141	4,565
50% FFP	5,215	5,215	10,430
TOTAL	8,639	6,356	14,995
4.J. LTC: MR-IPR			
75% FFP	64,964	21,654	86,618
50% FFP	22,471	22,470	44,941
TOTAL	87,434	44,125	131,559
4.K. LTC: Other			
100% FFP	151,569	-0-	151,569
75% FFP	6,564	2,248	8,752
50% FFP	1,712	1,711	3,423
TOTAL	159,845	3,899	163,744
TOTAL LONG TERM CARE	247,279	48,024	295,303

FUNCTIONAL AREA	SOURCE		TOTAL REVENUE
	FEDERAL FUNDS	STATE FUNDS	
4.L. Dental			
75% FFP	$ 17,459	$ 5,819	$ 23,278
50% FFP	17,653	17,654	35,306
TOTAL	35,112	23,472	58,584
4.M. Other Services			
75% FFP	2,713	904	3,617
50% FFP	37,623	37,622	75,245
TOTAL	40,335	38,527	78,862
TOTAL PROVIDER SERVICES	453,146	227,060	680,206
5. Claims Processing			
75% FFP	110,780	36,927	147,707
50% FFP	980,235	980,234	1,960,469
TOTAL CLAIMS PROCESSING	1,091,015	1,017,161	2,108,176
6. Surveillance and Utilization Review			
75% FFP	61,523	20,508	82,031
50% FFP	250,314	250,313	500,627
TOTAL SURVEILLANCE AND UTILIZATION REVIEW	311,837	270,821	582,658
7. Third-Party Liability			
75% FFP	834	278	1,112
50% FFP	11,492	11,492	22,984
TOTAL THIRD-PARTY LIABILITY	12,326	11,770	24,096
8. Fraud Control			
8.A. Detection			
75% FFP	18,107	6,036	24,142
50% FFP	4,011	4,010	8,021
TOTAL	22,117	10,046	32,163
8.B. Investigation			
75% FFP	834	278	1,112
50% FFP	5,130	5,130	10,260
TOTAL	5,964	5,408	11,372
8.C. Prosecution			
0% FFP	-0-	16,774	16,774
TOTAL	-0-	16,774	16,774
TOTAL FRAUD CONTROL	28,081	32,228	60,309

FUNCTIONAL AREA	SOURCE		TOTAL REVENUE
	FEDERAL FUNDS	STATE FUNDS	
9. Cost Settlement			
9.A. Hospitals			
75% FFP	$ 4,201	$ 1,400	$ 5,601
50% FFP	34,039	34,039	68,078
TOTAL	38,240	35,439	73,679
9.B. Long-Term Care Facilities			
75% FFP	8,537	2,846	11,383
50% FFP	55,495	55,495	110,990
TOTAL	64,032	58,341	122,373
TOTAL COST SETTLEMENT	102,272	93,780	196,052
TOTALS	$ 5,423,389	$5,009,010	$10,432,391

APPENDIX C

FUNCTIONAL AREA DEFINITIONS

APPENDIX C

FUNCTIONAL AREA DEFINITIONS

The definition of the activities involved in each functional area is set forth in this appendix. The costs of a given functional area include personnel costs, travel costs, and all other costs (such as space, utilities, data processing, etc.) incurred in performing the activities of that area. Revenues for a given functional area consist of the funds provided by Title XIX, other federal titles, state, county, local government, third party, and any other sources which are used to offset the costs incurred in performing the functions of that area.

GENERAL ADMINISTRATION

General Administration consists of three components: Federal Statistical Reporting, Information Systems Planning, and Other.

General Administration: Federal Statistical Reporting

Consists of the activities involved in the preparation and submission of all required Federal Statistical Reports. The specific Federal Statistical Reports are:

- OA-25
- OA-41

- OFM-65
- NCSS-119
- NCSS-120
- NCSS-2082

General Administration: Information Systems Planning

Consists of the activities in conducting feasibility studies, cost/benefit analyses, and other studies which could lead to the development of a Medicaid Management Information System. The systems may be automated or manual.

General Administration: Other

Consists of all activities of General Administration which are not related to either Federal Statistical Reporting or Information Systems Planning. Examples of other General Administration areas include:

- Budgeting
- Finance and Accounting
- Personnel and payroll support for state staff
- Legal Services

TRAINING

Consists of activities involved in providing training to and for personnel related to the Medicaid program, including teachers, training facilities, transportation to and from the training site, equipment used in training such as slide projectors, etc.

RECIPIENT SERVICES

The administrative activities involved in recipient services are allocated into three components: Eligibility Determination, Eligibility Quality Control, and Other Recipient Services.

Eligibility: Determination

Consists of activities involved in determining or redetermining recipient eligibility for the Medicaid program in the state. Because Medicaid eligibility determination can occur at other than the designated agency (e.g., AFDC eligibility determination) and/or at the local level, it is important to recognize the potential for decentralized administrative costs. Note that care should also be taken in defining eligibility determination activities because of the fundamental relationship between welfare-related eligibility and the categorically indigent in the Medicaid program. In general, the administrative activities in this functional area relate to extending the related welfare recipient's eligibility to Medicaid.

Eligibility: Quality Control

Consists of activities involved in maintaining recipient eligibility quality control. These activities pertain to efforts related to authenticating recipient rolls, such as field investigations, central file sampling, etc.

Other Recipient Services

Consists of activities involved in the administration of Medicaid eligibility, excluding Determination and Quality Control.

Areas may include recipient hearings, dissemination of recipient information, and referrals.

PROVIDER SERVICES

The administrative activities involved in providing services to Medicaid recipients are further divided according to the type of service provided. These activities include provider enrollment, provider relations, provider education, and (except for institutional providers) reimbursement.

EPSDT: Patient Care

Consists of activities involved in outreach, notification, case management, and follow-up.

EPSDT: Administrative

Consists of activities involved in provider relations and enrollment, and state and local administration.

Physician

Consists of activities involved in administering physician services provided by the Medicaid program. This area will include M.D.'s, osteopaths, chiropractors, group practices (refer to definition on clinics for a distinction between group and clinic), and professional corporations (P.C.'s), except pathology and radiology laboratory services. The physician services may either be performed in a private office, recipient home, inpatient or outpatient hospital, or long-term care facility, as long as the physician's bill is not included in the bill from the hospital. Administrative areas may include provider relations and enrollment, and state and local administration.

Family Planning

Consists of activities involved in administering family planning in the Medicaid program. Administrative areas may include provider relations and enrollment, and state and local administration.

Pharmacy

Consists of activities involved in administering pharmacological services in the Medicaid program. Administrative areas may include provider relations and enrollment, and state and local administration of the EAC/MAC program.

Pathology and Radiology

Consists of activities involved in administering laboratory services in the Medicaid program. This area does not include laboratory services offered in a hospital unless such services are billed separate from the hospital. Administrative areas may include provider relations and enrollment, and state and local administration.

Health Maintenance Organizations (HMOs)

Consists of activities involved in relating to HMOs in the Medicaid program. Administrative areas may include provider relations and enrollment, and state and local administration.

Clinics

Consists of activities involved in relating to clinics in the Medicaid program. For purposes of this survey, a clinic

will be defined as a medical practice staffed by several different specialists working together. This should be contrasted with a group practice where the providers are of the same specialty. Administrative areas may include provider relations and enrollment, and state and local administration.

Hospitals

Consists of activities involved in administering inpatient and outpatient services provided by hospitals in the Medicaid program. For purposes of this survey, this area may include general and specialized institutions, mental hospitals, and TB hospitals. These administrative activities should not include activities related to utilization review, cost settlement, and audit. Administrative areas may include provider relations and enrollment, and state and local administration.

Long-Term Care Facilities: Medical Reviews and Independent Practitioner Reviews

Consists of activities associated with these reviews of LTCs. LTCs include both skilled and intermediate care facilities, whether or not they are affiliated with a hospital.

Long-Term Care Facilities: Other

Consists of all other activities involved in the administration of LTCs, such as provider relations and enrollment, and state and local administration, but does not include utilization review, cost settlement, and audit.

Dental

Consists of activities involved in administering dental services in the Medicaid program. For purposes of this survey, dental services are those rendered by either a dentist, orthodontist, peridontist, or oral surgeon. Administrative activities include provider relations and enrollment, and state and local administration.

Other Provider Services

Consists of activities involved in administering services other than those specifically listed above. Examples may include appliance dealers, hearing aid dealers, prosthetic device dealers, transportation, etc. Administrative activities include provider relations and enrollment, and state and local administration.

CLAIMS PROCESSING

Consists of activities involved in processing claims from providers to the Medicaid program in the state. Two extremes may occur: (1) claims may be processed by the state; or (2) claims may be processed by a third party (called a fiscal agent or intermediary) for the state. There are also two ways claims may be processed: (1) manually, or (2) by computer. When conducting the survey, it is important to remember that all possible combinations of the four possibilities may occur.

SURVEILLANCE AND UTILIZATION REVIEW

Consists of activities involved in utilization review for the Medicaid program, and activities related to the generation and use of provider and recipient reports based upon paid

claim data in the Medicaid program. This area should not include activities related to cost settlement or fraud control.

THIRD-PARTY LIABILITY

Consists of activities related to the identification of possible third-party responsibility during and after claims processing. Examples of third parties include private insurance and workmen's compensation. States may refer to this area as Coordination of Benefits or COB. Relevant activities include those associated with detecting possible COBs, recipient and third-party communications, legal activities, and all other related collection activities.

FRAUD CONTROL

The legal definition of fraud requires that the five following elements be met:

- A false representation, or concealment of truth
- Knowledge of the falsity by the maker
- Ignorance of the falsity by the person to whom the representation is made
- The intention that the falsity be acted on
- The falsity is acted on with resulting damage.

Note that this area does not include Surveillance and Utilization Review. This area is further divided into three components: Detection, Investigation, and Prosecution.

Fraud Control: Detection

Consists of activities related to the detection of fraud, including the collection, preparation and generation of reports

from paid claims and/or random provider or recipient investigations. The pertinent activities will be included in this category until a potential fraud is suspected.

Fraud Control: Investigation

Consists of activities from the point where potential fraud has been suspected until the time the case has been disproven and eliminated, or brought to the attention of the proper legal authorities.

Fraud Control: Prosecution

Consists of activities related to the prosecution of fraud cases in the Medicaid Program. It is very likely that these activities will appear, in part, in State agencies other than the designated agency, e.g., in the office of the State Attorney General. These activities outside the designated agency are considered relevant and are to be included.

COST SETTLEMENT

Cost Settlement: Hospitals

Consists of activities related to the receipt and disposition of a hospital's cost settlement report, including desk audit, field audit, negotiation, and final settlement.

Cost Settlement: Long-Term Care Facilities

Consists of activities related to the receipt and disposition of a long-term care facility's cost settlement report, including desk audit, field audit, negotiation, and final settlement.