

BUDGET FORMULATION GUIDELINES

Continued Mission Directive for FY20

With the passage of the Grants Oversight and New Efficiency Act (GONE, P.L. 114- 117), a focus has been placed on properly following and executing existing FY budgetary closeout processes. This focus is not in any way intended to add existing work to State Agencies, in fact, this focus should help States be able to close out their financial books sooner rather than sometimes waiting for 5 years after the close of the FY.

- **Budget Closeout Requirements:** The main goal is to establish a common grants closeout process in-line with current Departmental regulations, statute and audit recommendations. With respect to the States, this will primarily be a change to the timeframes involved in closeout, the possibility for unilateral closeouts, as well as an increase in emphasis on closing awards in a timely manner. The actual work required to effect a proper closeout will remain substantially the same.

The timelines for this process are as follows:

- Final financial reports, consistent with terms of award, are due 90 calendar days from a grant's completion date;
- Full closeout, meaning that all applicable administrative actions and all required work of the federal award have been completed and takes actions as described in 45 CFR 75.381, is due no later than 270 days from a grant's completion date;
- If the closeout cannot be completed within the 270 day timeframe, CMS **may** elect to complete a unilateral closeout.

CMS Central Office (CO) will provide States ample notification of upcoming due dates for both report and closeout due dates via written memorandum and email notification, and will work with States to meet the due dates noted. CO will work with States on a case-by-case basis if there are reasons that they are unable to meet the guidelines noted above.

Continued Budget and Expenditure Reporting Timing and Requirements

The S&C program may operate under the terms and conditions of a Continuing Resolution, with funding based on the previous FY base budget as noted in Appendix 2, column A, until such time that Congress passes a final appropriation containing S&C funding. Please note, we are currently assessing our budget execution process in order to provide funding assumptions and budgetary information as early as we can. We will provide updated timeframes as they become known. For planning purposes, current timeframes for the budget process are as follows:

Jan - March – States submit, with justification, requested changes to their proposed FY budget amount listed in Appendix 2 to the Regional Office (RO), in accordance with the AdminInfo Memo issued each year.

ROs complete review of the States appeal submissions and offer recommendations, by State, to the CO (Bary.Slovikosky@cms.hhs.gov).

Jan - April – CO staff will hold conference calls with the ROs to discuss and make final decisions regarding the FY20 Allocations.

Feb - April – Final allocations are determined and communicated to States.

March - May – States submit the final budget package and plans to CMS ROs, including updates to the CMS 434-Planned Workload form, using the CMS Tier priorities. For the final budget package, each State's budget should be based on a specific dollar amount expected for Medicare funding (rather than a general estimate of what the State believes is needed).

Again, these timelines are for planning purposes and may be subject to change based when Congress passes a final budget appropriation.

IMPACT Act Budget: Beginning in FY18 and continuing through FY25, the amount of annual IMPACT funding available has been reduced over the level provided in FY15-FY17. To account for this difference, funds to cover the shortfall have been set aside to allow the SA's to have enough funding to complete the statutory work. The final IMPACT funding amounts will be made available once all of the SA requests have been received for the FY (typically should be in December of the current FY). Reporting of this funding should be as follows:

All Hospice funds, whether IMPACT or non-IMPACT, should be reported separately on the mini CMS 435 Hospice form. However, as a reminder, **IMPACT** funding amounts **should not** be included on the main CMS 435, while any SA receiving additional funding, **non-IMPACT**, for Hospice work **should** report those costs on the main CMS 435 on a separate miscellaneous line. Please identify the separate line as "Additional Hospice Funding". If a State sees any significant issues with its allocation, or has questions about the allocations or cost accounting, please communicate those promptly to your CMS RO.

MDS and HHA mini CMS 435 forms: The MDS mini-CMS-435 includes all MDS related costs while the HHA mini-CMS-435 should include all HHA and OASIS costs. This budgeting (and subsequent expenditure reporting) will show the subset of all MDS and HHA-related costs that **are** included in the full CMS- 435 form.

HHA Cost Allocation: States should use a simplified 50% Medicare-50% Medicaid method to share the federal costs (after State licensure costs are accounted for) by:

1. Identifying the total cost of HHA surveys,
2. Subtracting the State-only amount that reflects the State licensure share,
3. Dividing in half the remainder (total federal share of HHA costs) and
4. Assigning one half to Medicare and the other half to Medicaid.

Please refer to S&C Memo 13-31-HHA, dated May 17, 2013, for more detail.

State Licensure Shares: This information is required to be filled into columns G & H of the CMS 435 as part of the budget reporting package. This information is necessary to adequately review the use of proper cost accounting to ensure appropriate cost sharing across all funding sources of the Survey & Certification program.

NAR/NATCEP Costs: States must continue requesting and reporting all Medicare NAR/NATCEP costs on the Miscellaneous line 19A of the form CMS-435. These expenses are not to be included in salaries/fringe benefits. States' budget requests should be tied to the number of nurse aides and/or training programs. All budgets must include NAR/NATCEP expenses under line 19A (Miscellaneous) on the form CMS-435 (column B).

- NAR/NATCEP and competency evaluation costs incurred for Title XIX-only facilities are considered administrative costs and are to be reported on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (form CMS-64). There are no provisions for covering these expenses in the Medicaid Survey and Certification budgets.
- Costs incurred in joint Titles XVIII/XIX facilities for NAR/NATCEP will be charged and reimbursed 50 percent by Medicare and 50 percent by Medicaid (50%-50% split). Expenses incurred for Title XVIII should be reported on the form CMS-435; expenses for Title XIX on the form CMS-64.
- Guidance pertaining to allowable NAR/NATCEP expenditures can be found in Chapter 4 of the State Operations Manual (SOM).

Training Line on CMS-435: Under no circumstance, should the costs reported in the training line on the form CMS-435 be zero. As discussed in the SOM, this line item includes **any** non-salary costs associated with training.

In summary, the final budget package should include:

1. Main CMS-435 Budget Request Form; *Note: This form should capture all projected FY 2019 expenditures (including MDS and HHA/OASIS, but not including IMPACT Act Hospice costs) spread across the appropriate lines of the CMS-435.*
2. 2 mini CMS-435s for MDS and HHA/OASIS (subset reports of the main CMS-435);
3. CMS-435 IMPACT Act – Hospice (separate report), with projected expenditures spread across the appropriate line items;
4. CMS-434 Planned Workload Report;
5. CMS-1465A Budget List of Positions;
6. CMS-1466 Schedule for Equipment purchases;
7. Budget narrative with work plan and line by line justification;
8. Include a single, all-inclusive Tier Statement: indicate what Tier workloads the

State will and will not be able to accomplish. If circumstances allow for only partial completion of a particular Tier workload, indicate in the Tier Statement which work will not be completed in the Tier, by provider type, and the extent of the survey work that the State expects it will be unable to accomplish. Please recall that there is a triage level of complaint investigations in each Tier, so mention those if they come into play;

Please make a Tier statement as a clearly identified paragraph toward the top of the budget narrative. It can be as simple as “Tiers 1, 2 and 3 will be done, but not initial surveys in Tier 3 and Tier 4.” Or the statement can be more detailed, especially if the State will complete part of a Tier, and needs to specify what won’t be done in the Tier;

9. Most recent Indirect Cost Agreement.

CMS Budget Analysis and Adjustment

CMS’ CO will continue to partner with the ROs to review and agree upon a final budget amount for FY20 for each state once Congress has finalized a budget. The funding available to states will be allocated based on several factors that are taken into account such as:

1. Historical Spending;
 2. Workload Requirements;
 3. State Hiring Challenges.
- It is recommended that States make the ROs aware of expected funding shortfalls or overages as soon as possible in FY20 to ensure that the most effective funding distribution can be made as soon as Congress passes a budget.
 - Due to the reduced level of IMPACT funding which started in FY18, an analysis of all State requests will encompass previous FYs actual spending level vs. the current FY request before final IMPACT awards are determined.