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Pro-rating Provider Reimbursement – An Overview

1. What is pro-rating: a definition.
2. Why and when is it necessary.
3. Examples.
4. A possible cause of confusion.



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First Step in Reimbursement

Based on the parent's certified need for care, select a ceiling.

- This should be done in a general way, such as
- In general, the parent needs care Monday – Friday, 7 AM – 5:30 PM. This would be a full-time ceiling.
- Or, the parent needs care M, W & F from 9 AM – 3PM. This would be a part-time ceiling.



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Second Step in Reimbursement

Compare the ceiling selected to the provider's rate for the schedule of care.

- If you are lucky the provider's label for their rate will coincide with the label for the ceiling (weekly, monthly, etc.)
- If you are not lucky, you might have to figure out what the provider's bill would be (approximately) for this family for the same period of time covered by the ceiling.



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Third Step in Reimbursement

Select the lower of the two – the ceiling or the provider's rate.

That is the starting point.



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When to pro-rate the amount of reimbursement

1. When care is being reimbursed on a weekly or monthly basis, and the parent's participation begins or ends in the middle of the week or month.

Example: Enrollment begins on October 15th, a Thursday.



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When to pro-rate the amount of reimbursement

Example (cont): There are 22 working days in October, and 12 working days from the 15th to the 31st. Multiply the provider's rate (or ceiling) by 12/22nds.

After determining what amount is due the provider for a defined period of time, you are providing a partial payment for a portion of that period.



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When to pro-rate the amount of reimbursement

Example:

Using a weekly rate (ceiling), the last week in Sept. contains 2 working days (Sept's reimbursement would contain 2/5ths of the week); and the first week in Oct. contains 3 working days, so 3/5ths of the week's reimbursement would be included in Oct's reimbursement.

Key: $2/5 + 3/5 = 5/5$ (1 week's reimbursement).



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When to pro-rate the amount of reimbursement

2. When administering a limitation on the parent's benefit that is required by regulations.
 - Best interest days above 10 – the parent can take additional best interest days, but is responsible for paying the provider.
 - Unexcused absences above the agency's limit – contractors have authority in Section 18066 to place limitations on unexcused absences.



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When to pro-rate the amount of reimbursement

- Facility closure days above ten – parent's can choose a provider that is closed for more than 10 days, but are responsible for reimbursing the provider if the provider requires reimbursement for any extra days of closure.



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How to pro-rate the amount of reimbursement

As before, determine the unreimbursable portion and reduce reimbursement by that amount.

Example: facility is closed for 10 holidays during the year and two weeks over the summer. Contractor is otherwise using a monthly rate (ceiling). For the two weeks over the summer, reduce the amount of reimbursement by $2/4.3$ (or $10/23$).



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How to pro-rate the amount of reimbursement

Example: Parent stops attending care after Friday, 10/9, without notification. Contractor's limit on unexcused absences is 5 days. Child does not have prior unexcused absences. Contractor is using monthly rate (ceiling). Reimbursement is 12/22 of monthly amount.



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Information to Parents and Providers

Limitations on benefits must be explained to parents (parent handbook) and providers (written information) in advance.



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When to pro-rate the amount of reimbursement for Family, Friend, & Neighbor Care (License-exempt providers)

Unless documentation is available in the file indicating otherwise, the general rule is that FF&N care only operates on days of attendance.



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When to pro-rate the amount of reimbursement for FF&N (License-exempt providers)

Documentation that can be supplied by FF&N providers regarding their policies for payment is required by Title 5, Section 18231.



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When to pro-rate the amount of reimbursement for FF&N (License-exempt providers)

Prorating reimbursement for FF&N providers is calculated in the same manner as for licensed providers – as the reimbursable portion of the period covered by the rate or ceiling being used.



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Do not divide a ceiling by smaller increments of time to create a new ceiling.

This is not prorating.

Example: With a variable schedule,

Do not divide the monthly ceiling by the number of working days in a month (e.g. 22) to create a new daily ceiling, then compare that to the provider's charges (rate) for every day of the month the parent used care.



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Do not create a new sub-ceiling based on the parent's certified need for care

This is not pro-rating.

Example: A parent needs care from Mon – Thurs, full-time, and the contractor selects a weekly ceiling, then multiplies by 4/5ths to create a new ceiling to compare to the provider's rate. Or multiplies the provider's rate by 4/5ths, without documentation in the file indicating that this is the provider's practice.



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MB 09-18 Changes

Family fees – Do not assess a family fee when anyone in the family receives cash aid, including:

- Sanctioned families
- Timed-out families
- Citizen children of undocumented adults.

Applies to all contract types.



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MB 09-18 Changes

Daily Ceiling (Rate) may only be used when:

1. Certified need for 14 days (of 6 hours or more) or less in a month.
 - Applies to part-time and full-time care.
 - Certified need should be interpreted to be “in general” not “this month.”
 - Month means a calendar month (Jan., Feb., etc.)



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2. If the criterion in #1 is met the amount of reimbursement resulting from use of the daily ceiling cannot exceed the provider's full-time monthly rate, or the full-time monthly ceiling, whichever is lower.