

## Medicaid Administrative Claiming Indirect Cost Info Sheet

### Overview

Indirect costs are district expenses allocated across multiple programs, contracts, grants, or activities and are necessary for the general operation of the district.

Examples of indirect costs include, but are not limited to:

- heating, lighting, other utilities
- auditing
- budgeting, payroll, purchasing, or
- personnel

An Indirect Cost Rate (ICR) is the maximum amount of state and federal dollars a district can spend to cover indirect costs. A district's ICR is calculated annually and located on the F-196 report (Annual Financial Statements). Generally ICRs range from 0 – 10%.

Indirect costs and the ICR are features in the School District MAC program. Read on to learn more!

### Indirect Costs, the ICR, and MAC

Districts are not allowed to claim indirect costs as MAC expenses with quarterly claims. This means the salary and benefits of staff (including coordinators) participating in the RMTS must **not**:

- be considered indirect costs, or
- used to calculate the district's indirect cost rate

The MAC program allows the use of an approved **restricted** ICR to cover indirect costs. This is an automatic feature when the claim is calculated.

### How is the ICR applied to the MAC Claim?

Prior to every quarter, HCA, OSPI, and UMMS work together and generate each district's **restricted** ICR. This information is loaded into the RMTS system prior to each quarterly claim calculation. This process is similar to generating the district's Medicaid Eligibility Rate (MER).

At the end of each RMTS quarter:

1. The RMTS results are calculated
2. Districts upload their participant's salary/benefits
3. UMMS adds the ICR and MER to the RMTS system
4. Districts are told to "calculate" their claims.
5. The claim or "warrant" amount generated includes partial reimbursement for indirect costs.

### Example of Indirect Cost Reimbursement

ABC School District	
Quarterly Salary and Benefits	\$500,000
RMTS Results	15%
Medicaid Eligibility Rate (MER)	40%
Indirect Cost Rate (ICR)	10%
Federal Financial Participation (FFP)	50%

Using the example numbers above, the ABC School District's quarterly claim/warrant would be:

1.  $\$500,000 * 15\% = \$75,000$  (reduced by RMTS results)
2.  $\$75,000 * 40\% = \$30,000$  (reduced by MER)
3.  $\$30,000 * 10\% = \$3,000$  (quarterly indirect costs)
4.  $\$30,000 + \$3,000 = \$33,000$  (Total Computable)
5.  $\$33,000 * 50\% = \$16,500$  (reduced by FFP)

Step 3 above shows the indirect cost calculation while step 4 adds the indirect cost into the claim. The claim/warrant amount is \$16,500 which does include a portion of the \$3,000 in indirect costs calculated for this quarter.

### Additional Resources:

- [OSPI Indirect Cost Rate FAQ](#)
- [MAC Contract – Section 3.1.10](#)
- [MAC inbox](#)