

ADMINISTRATIVE RATE CHANGES POLICY AND PRACTICES

Provider administrative (*admin*) costs constraints are addressed in the contracts which Providers must sign each year.

See DCDHS – COUNTY OF DANE Purchase of Services Agreement Section C - XXVI – D:

Administrative Cost Ceiling. PROVIDER agrees to keep administrative costs for each program at or below the percentage approved by COUNTY. The approved administrative cost is that percentage most recently approved by COUNTY, whether governed by this year's Agreement or by a previous year's Agreement. No variance in excess of the approved administrative percentage will be allowed unless approved by COUNTY in advance and in writing. In no event will COUNTY approve an administrative cost percentage in excess of 15% of the cost of each program.

As noted, DCDHS limits Providers' admin costs to a maximum of 15.0% of the total County allocation for the service. DCDHS's goal in limiting admin costs increases is to ensure that direct services are not eroded by disproportionate increases in admin costs.

Providers must adhere to the established admin cost percentage. At their discretion, Providers may lower the percentage without Department approval. Providers must then adhere to the lower percentage (or less) in succeeding budget years.

Requests for increased admin sums/rates

The Department will approve admin sums/rates increases given extraordinary circumstances, only, given the need to protect services.

Note: Admin increases which may be granted will be made from allocated program funds. Increases will not result in overall increased budgets. Increases may be ongoing or time-limited.

Providers may present requests either (1) at the time of current-year budget submission or (2) during the course of the year.

It is suggested - but not required - that Providers discuss the rationale for requests with their Contract Managers prior to submission.

Processes

1. Request for admin changes at the time of current-year budget submission

Providers should normally request admin costs increase approvals at the time of current-year budget submission in February. This is accomplished by means of:

- (1) Submission of the Budget form to Accountants with desired admin sum/rate entered (present practice; form/instructions are attached);

and

- (2) Submission of a letter of explanation for the increased admin sum/rate to the Accountant at the same time (new practice).

Letters of explanation must present extraordinary circumstances. Requests for admin changes must cite more than general cost-of-doing-business arguments. Documentation and justification must be included.

Situations in which increases might be approved include:

- Increases in admin work/costs related to a Department request/directive to generate insurance revenues;
- Increase in admin work/costs related to a Department issue as to data collection, etc.;
- Increase in admin work/costs related to a Department-endorsed administrative project such as substantive materials development (temporary or ongoing), training development, conducting a survey, etc.

Upon receipt of these materials:

- (1) Accountant will route the materials to the Contract Managers.
- (2) Contract Managers will consider the request in consultation with his/her Division Administrator. If the Manager and Administrator approve the request, they will in turn consult with the FMS Division Administrator for final approval.
- (3) Contract Managers will communicate with the Provider (and Accountant) as to the approval or denial (if denial, reasons for the denial as well). The decision will be considered final; it will not be reviewed by the Department Director.

2. Request for admin changes in mid-year

Providers may request mid-year increases only if Department-initiated service changes during the course of the year require a formal budget revision and an increase may be justified. In these instances, any such approval will date from the time of the service change, only; it will not be backdated to January 1.

Providers may request mid-year increases by means of:

- (1) Submission of the *Revised Budget* form to Accountants with desired admin sum/rate entered (also present practice; form/instructions are attached);

and

- (2) Submission of a letter of explanation for increased admin sum/rate to Accountants (new practice). Letters must present extraordinary circumstances. Requests must cite more than general cost-of-doing-business arguments. Documentation and justification must be included.

Department response steps remain the same as above from this point.

Note: Request for Proposals (RFP) Situations

The Department is obliged to let bids for services no less than every five years. In these Request for Proposal (RFP) situations, Providers may submit budgets with revised administrative costs if they elect to reapply to contract for the service. Administrative costs/percentages are a factor in scoring submitted proposals.