

***Correctional
Managed Health Care
Committee***

POLICY STATEMENT

Number: CMHCC – F-03 (rev. 1)
Date: September 25, 2007
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Supersedes: CMHCC – F- 03
(September 20, 2005)

SUBJECT: USE OF FUNDS – REASONABLE, NECESSARY, AND ALLOWABLE COSTS

AUTHORITY: CMHCC Contracts; Govt. Code, Section 501.148(a)(5)

POLICY: It is the policy of the Correctional Managed Health Care Committee through its contracting procedures, that all expenditures made from funds allocated to the CMHCC and subsequently paid to the University Providers shall be for services provided to TDCJ under the terms of the CMHCC contracts. Proceeds from the contracts for correctional healthcare may only be expended for those items that are reasonable, necessary, and allowable per statutes, regulations, and rules in providing correctional healthcare services as specified in the contracts.

PROCEDURES:

I The university providers will allocate to inmate healthcare only those expenses that are reasonable, necessary, and allowable under state statutes, regulations, rules, and the terms of the contract.

II Definitions of various costs are as follows:

A. Reasonable and Necessary

Reasonable costs are consistent with prudent business practices and comparable to current market value. Necessary costs are essential to accomplish the objectives of the contract. The reasonableness of a cost will be determined by whether:

- The cost is of a type generally recognized as ordinary and necessary for operation of the organization.
- Restrictions or requirements are imposed for generally accepted sound business practices, arms length bargaining, federal/state laws and regulations, contract terms and conditions

- Individuals acted with prudence in the circumstances of responsibility to the organization, its members, employees, clients, the public, and federal/state government
- There are significant deviations from established practices of the organization which may unjustifiably increase contract costs

B. Allowable

To be allowable, costs must meet the following criteria:

- Be reasonable for the performance of the contract and be allocable under the applicable cost principles
- Conform to limitations or exclusions set forth in applicable cost principles or the contract agreement as to types or amount of costs
- Be consistent with policies and procedures that apply uniformly to state or federal funded activities
- Be accorded consistent treatment among all Correctional Managed Healthcare programs
- Be determined in accordance with generally accepted accounting principles (GAAP)
- Be determined to be allowable under state statutes, regulations, and rules

C. Allocable

A cost is allocable to the Committee contract in accordance with the relative benefits received and if it is treated consistently with other costs incurred for the same purposes in like circumstances and if it:

- Is incurred specifically for the contract
- Benefits both the Committee contract and other contracts and can be distributed/allocated in reasonable proportion to the benefits received
- Has not been shifted to the Committee contract to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the contract

III. All expenditures will be made in accordance with the State Comptroller's guidelines for utilization of general revenue funds. On a case-by-case basis, the University Providers may request, upon submission of detailed supporting documentation justifying the request, that additional exceptions to the restrictions on expenditures be approved by a majority vote in open session of the CMHCC.

Adopted: September 25, 2007
James D. Griffin, M. D.
Chair, CMHCC