

MEMORANDUM

NOTICE #: 092815-1-PC-SCBS

TO: Area Agencies on Aging (AAAs)

FROM: Samuel P. Verghese, Secretary

DATE: September 28, 2015

SUBJECT: Notice of Policy Clarification: Service Cost Reports

The purpose of this Notice is to provide clarification regarding language for “Service Cost Reports” in Sections 2.4.3 of the Older Americans Act (OAA) contract and 23.3 of the Master Contract. This guidance is effective immediately and provides the following updated language that will be amended into the above references.

Service Cost Reports – *The Contractor shall require Subcontractors to annually submit to the Contractor service cost reports, which reflect actual costs of providing each service by program. Any multi-year contracts entered into with service providers on or after the effective date of this contract shall contain a provision requiring the contract’s parties to re-evaluate the contract’s reimbursement rates on an annual basis. The Contractor may annually renegotiate rates based on, including but not limited to, a review of sustainability, the respective consumer price index, or current market conditions. However, it is the intent of the Department that the quality of services provided to current program recipients not be reduced.*

The AAA (Contractor) will annually review the appropriateness of its provider’s rates based on a board-approved policy that considers local factors like the provider’s sustainability, expected market fluctuations, or the consumer price index. Justification that evidences this review and considers the potential change in rates shall be made available upon annual monitoring or upon the Department’s request.

Thank you for your assistance and cooperation in ensuring compliance with the contract requirement as specified above. If you have any questions, please contact your contract manager.