

## **SECTION 1 - Introduction**

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**INTRODUCTION**

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## **1.0 FUNDAMENTAL PRINCIPLES FOR THE PURCHASE OF SERVICES FROM COMMUNITY-BASED PROVIDER AGENCIES**

The intent of the Principles is to set forth the manner by which the Department of Children and Families and Provider Agencies shall serve consumers through the purchase of services program. In addition, these principles communicate the rights of the consumer as the prime consideration in the Department's purchase of service program and establishes a general theme of mutual respect and cooperation between the Department and Provider Agencies. These principles are as follows:

1. The consumer comes first. The purpose of the purchase of service system is to serve the consumer through the purchase of needed identified services.
2. Consumers served may require a continuity of services which must be considered in the purchase of service system.
3. In purchasing services, the focus must be on achieving certain specified results. The Department's commitment is to improve the quality of consumers' lives. Therefore, the outcome of the service as detailed in the contract must be a critical factor in awarding or renewing a contract.
4. Consumers are best served by a smoothly functioning contracting system and a stable, financially sound and professional provider community.
5. The Department and providers form a service delivery partnership through a contractual arrangement. This partnership recognizes: the Department's prerogative to select the services which best meet the consumer's identified needs; the Department's responsibility to pay a fair price for services provided; and the provider's prerogative to select the most efficient and effective means of delivering the contracted services. Each party has a responsibility to uphold fiscal integrity and to account for the results of the services.
6. The Department and the provider's freedom to experiment and innovate must be encouraged. In this partnership, our response to the consumers' needs must be effective, dynamic and progressive.
7. Providers are independent enterprises, subject to the same economic, managerial, operational and financial realities as commercial businesses. Dealings between the Department and private providers must be conducted in a businesslike manner, with sensitivity to business realities and respect for the autonomy, prerogatives, and legitimate expectations of each.
8. Contract award policies and procedures followed by the Department, Departmental Components and throughout regions of the State shall be fair and consistent.

9. Regulations or administrative procedures should not be imposed unless the benefits outweigh the burdens. These procedures, when necessary, should be the least restrictive, least disruptive and most efficient means of obtaining the benefits.

## 1.1 Introduction to the Manual

The Department of Children and Families enters into contracts with both public and private provider agencies for the purchase of social services and services to train personnel engaged in the delivery of social services. The Department is responsible for establishing a system which effectively provides for reasonable, equitable, and efficient reimbursement for services delivered under such contracts. The Contract Reimbursement Manual has been developed to accomplish this purpose and to create a degree of uniformity in the Department's policies and procedures for contract payment.

This manual is a reference document for provider agencies and Department contract administrators. It contains necessary guidelines and instructions to facilitate the contract reimbursement process. The principles and procedures have been developed to provide the flexibility necessary to permit application of the manual to all types of contracts and to all Departmental contracting components. This manual does not attempt to identify the circumstances or to dictate the extent of Department or provider agency participation in the financing of a particular program. Individual contracting Departmental components within the Department may choose to refrain from participating or to limit their participation in any given cost, notwithstanding the designation of the cost as "allowable". It should be noted that the term "Department" as used throughout the manual also means, where appropriate from the context, the Departmental components responsible for the administration of particular contract programs.

The information contained in this manual is supplemented by a second manual promulgated by the Department entitled the Contract Policy and Information Manual. That manual is made up of specific and detailed Department policies, procedures, and information essential to the overall administration of contracts and the satisfaction by provider agencies of contract obligations.

## 1.2 Reimbursement Objectives

The following are general objectives to be met by a proper, equitable, and efficient system of contract reimbursement:

1. All expenses necessary and proper in the delivery of contract services, including normal standby expenses (fixed cost), should be taken into account in determining the value of the contract.
2. Payment is to be made on the basis of current costs or charges rather than costs or charges of a past period.
3. The portion of a provider agency's operations paid by the contract must relate to services delivered to contract clients, so that no part of their expenses need be borne by other clients of the agency. Conversely, the expenses related to other clients of the provider agency may not be paid by the contract.
4. Reimbursement should be prompt so that provider agencies will not be disadvantaged by having to pay for goods and services well before receiving contract payment.
5. Methods of reimbursement should provide for equitable treatment of public, not-for-profit, and for-profit agencies.
6. There should be sufficient flexibility in the methods of reimbursement to allow for (1) variations among provider agencies in recordkeeping methods and capabilities and (2) provider agency needs to keep pace with growing demands and to improve administrative and service delivery systems.

An important role of the Department is to furnish consultative services to provider agencies in the development of accounting and cost-finding procedures which will ensure equitable payment for contract services.

### 1.3 How the Manual is Organized

This manual is divided into seven major sections, each focusing on a different aspect of the contract reimbursement process. A glossary is also included. This manual has been designed to enable Department and provider agency personnel to locate information quickly, with the following aids:

**Table of Contents:** This table lists the titles of all sections and subsections.

**Section Contents:** The first page of each section outlines the major subsections with a comprehensive list of topics covered in each subsection.

#### How the Sections Are Organized

The subsections are organized in the following manner.

**Page Heading:** The page heading contains the name of the manual and the subsection number.

**Page Footing:** The page foot identifies the State of New Jersey, the Department, the date of the revision and the subsection page number.

#### Contents of the Manual

The remaining sections of the manual cover the following topics.

**Management Systems:** Section 2 provides an overview of methods and procedures concerned with safeguarding of assets and the reliability of financial records.

**Types of Contracts:** Section 3 addresses the types of third-party contracts that the Department will fund. This section contains general reimbursement policies and procedures, methods for determining contract value, and payment methodologies.

**Principles for Determining Costs:** Section 4 outlines the scope of cost principles, provides guides and cost limitations.

**Standard Contract Fiscal Annexes:** Section 5 outlines policies, procedures, and standard forms and instructions for the development of the contract fiscal annexes.

**Expenditure Reporting:** Section 6 outlines requirements for the submission of contract expenditure reports to the Department.

**Medicaid Rate Review Process for Residential Treatment Centers Participating in the Medicaid Program:** Section 7 contains additional guidelines to be used to establish per diem rates for provider agencies furnishing Residential Treatment services under the State's Medicaid Program.