

POSM Protocol R1-06: System of Payments (SOP) and Payor of Last Resort (POLR)	
Category	Fiscal
Purpose	Local systems use Part C funds as payor of last resort (POLR) and families are billed in accordance with their Family Cost Share (FCS) agreement.
IDEA Foundation(s)	<p>34 CFR 303.520 specifies that parental consent must be obtained in order for a state to use private insurance or public insurance of a parent or infant. States must also identify costs to the parent (if any) that will “incur as a result of the state’s using a child’s or parent’s public benefits of insurance to pay for Part C services.” Parents always have the right to withdraw consent, and services may not be delayed or denied “if a parent or family of an infant or toddler with a disability is determined unable to pay...”</p> <p>→ <i>In its evaluation, the SLA would expect to find documentation of completed family cost share agreements for all children reviewed, as well as evidence that fees have been billed in accordance with the family cost share agreement (i.e. evidence of private insurance and family fees being billed routinely, along with evidence of routine Medicaid billing).</i></p>
Part C Local Contract Requirement(s)	2.1.1.e. – [Scope of Work] Ensure billing for, and collection of, all potential reimbursement sources (Medicaid, Tricare, private insurance and family fees) in accordance with the Family Cost Share Practices in the Infant & Toddler Connection of Virginia Practice Manual prior to utilizing Part C funds as payor of last resort. The local lead agency shall: 1) complete all billing and collection of family fees and insurance reimbursements, 2) contract with a single entity to bill for and collect all family fees and insurance reimbursements for the local Part C system, or 3) assign the billing and collection of the family fee and insurance reimbursement to a specific agency/provider for each child.
Responsible Party	Part C Monitoring Team
Frequency and Method	1x/POSM cycle; desk audit and interview(s)
Data Source(s)	<ul style="list-style-type: none"> • State data system (TRAC-IT) with supporting documentation provided by locality (if not readily accessible in TRAC-IT) • Documentation provided by locality [e.g., local policies and procedures; local contract(s); local memorandum/a of agreement, etc.] • Interview(s) • POSM Provider Survey

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Amount of Data	<ul style="list-style-type: none"> • Case review(s); determined by annualized child count: 1-200 = 15 records; 201-500 = 22 records; 501+ = 30 records. • Documentation; varies by locality; identified during POSM planning call w/ locality and throughout discovery • Interview(s); varies by locality; determined by Part C monitoring team with LSM input
Compliance Criteria	<p>Evidence of requirement(s) as demonstrated by:</p> <ol style="list-style-type: none"> a. A current, completed, signed and dated FCS agreement is in place (and has been updated to reflect changes in the family's financial situation, including addition or loss of insurance coverage, if applicable). b. If the child is enrolled with both Medicaid and a third-party payor source, the third-party payor has been billed; or, if the third-party payor has not been billed, a "Notice to DMAS: Family Declining to Bill Private Insurance" letter is included in the record (unless the service is not covered by third-party payor sources). c. A parent signature allowing for exchange of information necessary for billing has been obtained. d. The local system bills all applicable payment sources in accordance with the FCS.
Monitoring Summary	<p>The Part C monitoring team identifies a representative sample of local cases to be reviewed, selecting from the 3-month period immediately preceding initiation of local POSM. Utilizing a review tool for consistency, team members review individual FCS agreements and documentation submitted by the local system (EOB's, invoices for family fees, etc.) to ensure billing has occurred in accordance with the FCS.</p> <p>During LSM interview, team members listen for commonalities of experience that support case review findings and/or inconsistencies that may indicate the need for further technical assistance and follow-up.</p>

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Required Action(s)	<ul style="list-style-type: none"> • If all (100%) records reviewed meet compliance criteria a., b., c. and d., no further action(s) required. -OR- • If fewer than all (100%) records reviewed meet compliance criteria a-d, the locality must within ninety (90) days of notification of finding(s) develop a process (for SLA review and approval) to improve performance and subsequently implement identified improvement activities as soon as possible but in no case later than nine (9) months post notification of finding(s).
Revision History	<ul style="list-style-type: none"> • Original: 2024-10 • Revised: 2025-08 <ul style="list-style-type: none"> ○ IDEA Foundation(s): ADDED detailed description ○ IDEA Foundation(s): ADDED “<i>In its evaluation...</i>” to each item for additional context ○ Compliance Criteria: REMOVED “(above)” ○ Table: Formatting changes ○ Footer: Specified ORIG date; added REV date ○ Monitoring Summary: Updated current monitoring process to include LSM interview.