

**MEMORANDUM**

NOTICE: #031220-1-I-SWCBS

**TO:** Area Agency on Aging Executive Directors  
**FROM:** Richard Prudom, Secretary  
**DATE:** March 12, 2020  
**SUBJECT:** Notice of Instruction: Update to Home Modification Services

The purpose of this Notice is to provide instruction regarding administrative costs associated with home modification, which includes Housing Improvement and Material Aid.

**Administrative Functions Related to Home Modifications**

The Area Agencies on Aging (AAAs) and Lead Agency/Local Service Providers negotiate services and unit rates annually. These discussions shall include whether the above listed services are to be billed as cost reimbursement or at a negotiated unit rate. Flexibility is allowed locally to determine which method is most cost-effective. For example, for Housing Improvement, the unit rate for hourly labor costs would vary greatly for installing a stove compared to installing a roof.

In 2003, the Department and the AAAs developed a Unit Rate Methodology, a cost allocation plan based on 2 CFR, Part 200 (formerly OMB Circular A-122), that continues to be used statewide today. This methodology was made available via Notice#: 032803-1-I-AS.

Lead Agencies and Local Service Providers have three options to consider for recovering costs associated with arranging for and administering these services:

1. When a unit rate is established for Housing Improvement and Material Aid using a unit rate methodology (or cost allocation plan), general administrative expenses (indirect costs) are distributed to services in proportions reasonably consistent with the nature and extent of their use of the agency's resources.
  - a. The home modification contractor is considered a subcontractor, due to the increased responsibilities for management and oversight of home modification projects, as follows: arranging for the services, ensuring satisfactory performance of contractors, ensuring that licensing and compliance requirements are met, and verifying the completion of the project. Therefore, in addition to direct costs and the indirect administrative costs allocated through the Modified Total Direct Costs (MTDC) in the cost allocation plan/unit cost methodology, the

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subcontractor allowance (exemption) may be applied, for a total allocation of up to \$25,000 in administrative expenses.

- b. If Housing Improvement and Material Aid costs have significantly exceeded the amounts budgeted in the Unit Cost Methodology, the Lead Agency/Local Provider can submit a revised unit cost methodology, providing a written justification of the circumstances they couldn't have anticipated when the original rates were established. Mid-year rate changes are subject to approval by Department of Financial Services (DFS).
2. Case Aides or Case Managers who arrange for and oversee the provision of these services can bill for their time spent performing these activities. Unit Rates for these services include associated indirect administrative costs:
  - a. Case Aide shall be the preferred service; Case Management can be billed only when Case Aide is not an available service.
  - b. Administrative positions performing tasks that can be identified specifically with these services and associated administrative costs can also be directly allocated to home modification services if they are not also recovered as indirect costs.
3. If cost reimbursement is determined to be the most cost-effective method, then the Lead Agency/Local Service Provider may recoup some administrative costs in addition to reimbursement of the amounts paid for the subcontractor and materials, such as: compensation of employees for the time spent directly overseeing the project, related fringe benefit costs, and the costs of materials and other items of expense (as supported by paid invoices, time sheets certifying the portion of time spent on the project, and copying costs). Other costs may only be recovered if they are significant.

When new funds are allocated under emergency circumstances (i.e., hurricanes), expenses for home modifications for recovery may be contracted at the local level using the cost reimbursement method, even when the usual method used is a unit rate methodology. Actual costs, including administrative expenses associated with providing the services, may be claimed for reimbursement when supported by receipts, time sheet certifications, copying expenses, and other costs that can be directly associated with the services.

Other episodic services that may be billed as cost reimbursement or unit rate are as follows:

1. Chore and Chore Enhanced
2. Other
3. Pest Control (including initiation, maintenance, enhanced initiation, and rodent control)
4. Specialized Medical Equipment, Services, and Supplies

Vendors for these services do not generally require oversight, and a fair share of administrative costs are allocated in the unit rates/fixed rates for Case Managers and Case Aides that arrange for and confirm receipt of these services. These services do not qualify for the subcontractor allowance (exemption) to the Modified Total Direct Costs (MTDC).

### **Additional Guidance for Home Modification**

When materials and supplies are provided through Older Americans Act funds (not case managed), they must be charged at their actual costs (per 2 CFR, Part 200.453).

Under no circumstances shall other services to clients be reduced or terminated for the purpose of redirecting resources to home modification services.

Home modifications and environmental modifications are to decrease environmental risk or return the client's home to safe and useable condition and are not to be used to enrich the client. Adaptive alterations or installing security devices are to ensure client safety and security. Refer to DOEA's *Handbook* for examples of Housing Improvement and Material Aid.

The AAA will be responsible for reviewing the Lead Agency/Local Service Provider's unit rate methodology spreadsheet. The AAA will also be responsible for ensuring that these services are not billed as both cost reimbursed services, and also included in the unit rate.

Please work with your Department contract manager if you would like to amend your contract by changing the billing method for any of the above listed services, updating the unit rate based on a revised unit rate methodology (cost allocation plan), or adding Case Aide or Case Management to your contract. Any changes made to the unit rate methodology (cost allocation plan) shall be reflected on future Service Cost Reports.

These changes are effective with the issuance of this Notice of Instruction and will be amended into all appropriate sections of the *2020 Programs and Services Handbook*, with the next update.

Please contact your DOEA Contract Manager if you have questions. Thank you for your cooperation.

