

## **Payment for Services**

### **1. Payment for Services**

HHSC will reimburse the Subrecipient for services satisfactorily performed as established within this Contract. All reimbursements of costs will be based on actual expenses incurred in accordance to the "Texas Prompt Payment Act," Chapter 2251 of the Texas Government Code.

Satisfactory performance of this contract will be measured by:

- a. adherence to the contract,
- b. results of independent audit reports,
- c. HHSC monitoring reports,
- d. ECI annual determination letters, and
- e. timeliness, completeness, and accuracy of TKIDS data entry and required reports.

Funding from this contract will be used to reimburse ECI program related costs remaining after all available Locally Collected Funds have been used, up to the value of the contract. This funding must not be used to supplant locally collected federal, state, local, and private funds received by Subrecipient from other sources.

Costs expended on the ECI program must meet the requirements outlined in 2 Code of Federal Regulations ("CFR") §200, Texas Grant Management Standards ("TxGMS"), and all HHSC policies. Unallowable costs are not billable to the ECI program budget, regardless of funding source.

### **2. Locally Collected Funds**

- 2.1 HHSC is the payor of last resort for budgeted early intervention services in accordance with 34 CFR §303.510. ECI contract funds supplement Locally Collected Funds, and the Subrecipient must use all available Locally Collected Funds before requesting reimbursement from HHSC.

Locally Collected Funds include both "Other Locally Collected Funds" and "Program Income." "Other Locally Collected Funds" includes all additional federal, state, local, in-kind contributions, cash donations, and private funds the Subrecipient uses to pay for ECI program costs. "Program Income" includes all third-party revenue from public and private insurance payments received for ECI services, rebates, refunds, contract settlements, audit recoveries and any interest earned on these funds.

- 2.2. The Subrecipient must budget and expend at least the same amount of Other Locally Collected Funds in the current fiscal year for early intervention services as was expended in the previous fiscal year. In the event of exceptional circumstances, the Subrecipient may submit a waiver request to HHSC to reduce their Other Locally Collected Funds requirement. Waiver requests to reduce Other Locally Collected Funds that were submitted by Subrecipients who committed Other Locally Collected Funds in their applications in response to the Request for Applications must be reviewed by the ECI Contracts and

Finance Manager. Waiver requests must be approved by HHSC prior to reducing the amount and are not guaranteed.

HHSC may make allowances for a decrease in the contract number of children served or unusually large amounts of funds expended for long-term purposes, such as the acquisition of equipment or the construction of facilities.

- 2.3 Program Income, and other third-party revenue, as defined in 2 CFR Section §200.1 and §200.307 and by TxGMS, earned by the Subrecipient as a result of ECI program services provided during the current contract cycle, September 1, 2025–August 31, 2030, and received by October 31, 2030, must be used for eligible program expenditures incurred during the contract cycle.

The Subrecipient must carry forward unspent Program Income from the current fiscal year into the next fiscal year within the same five-year contract cycle period. Any funds carried forward into the following fiscal year must be accounted for and spent solely on ECI program services. Subrecipient must use any program income for ECI program costs before invoicing HHSC ECI.

- 2.4 Program income and other third-party revenue claims, collections, uncollected amounts, and prior year collections must be reported cumulatively by source on quarterly and annual financial reports.
- 2.5 Interest earned on program income and other third-party revenue will be used to supplement the funds already committed to the program.
- 2.6 Except as prohibited by requirements set up by the funding source, if the Subrecipient collects more Other Locally Collected Funds than the minimum amount required per the contract, the Subrecipient may:
  - 2.6.1 Apply the excess funds to the prior fiscal year, if received prior to close out of the fiscal year;
  - 2.6.2 Expend the excess funds in the current fiscal year; or
  - 2.6.3 Expend the excess funds in the next fiscal year if the next fiscal year is within the same contract cycle period as the current fiscal year.
- 2.7 The Subrecipient must place Program Income and other third-party revenue earned by the Subrecipient as a result of services provided in the current Contract period in an account designated for ECI program use. Program income and other third-party revenue collected in excess of the ECI expenditures remaining during the fiscal year, may be applied to the next fiscal year.
- 2.8 HHSC may base future funding levels, in part, upon Subrecipient's proficiency in identifying, billing, collecting, and reporting program income and other third-party revenue, and in utilizing it for the purposes and conditions of this Contract.

### **3. Purchases, Equipment, and Controlled Assets**

- 3.1 The Subrecipient must use standard procurement practices as defined in 2 CFR §200 for all purchases under this Contract.
- 3.2 The Subrecipient must receive written approval from HHSC before incurring costs for any purchase over \$10,000, for the life of the purchase or contract. Purchases may include, but are not limited to, equipment, controlled assets, electronic health systems, contracted services, repairs, etc. Prior to incurring costs and not later than 30-days before the purchase is needed, the Subrecipient must submit a detailed justification for the purchase, include a detailed description of the items or services to be purchased, and attach any required bids with any purchase request.
- 3.3 Salaries and contractual purchases for contracted service providers listed and approved in the ECI contract budget do not require further approval.
- 3.4 Equipment is defined as tangible non-expendable property with an acquisition cost that equals or exceeds the lesser of the capitalization level established by Subrecipient for financial statement purposes or \$10,000, and a useful life of more than one year. Title to all equipment purchased from funds provided herein will be in the name of Subrecipient throughout the Contract term. Subrecipient must ensure that equipment items are used only to benefit the ECI program or that costs are properly allocated.
- 3.5 Controlled assets are defined tangible items under \$10,000 and considered a high theft risk and include items such as copiers, printers, computers (personal and handheld), cameras, video players, televisions, etc.
- 3.6 The Subrecipient must maintain a complete, accurate, and detailed inventory of all equipment and controlled assets purchased using ECI program budget funds on the Equipment and Controlled Asset Inventory report. The Subrecipient must submit this report to HHSC annually with the final financial status report for the fiscal year.

In addition, the Subrecipient must administer a program of maintenance, repair, and protection of assets under this contract to assure their full availability and usefulness. In the event the Subrecipient is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets provided under this contract, it will use the proceeds to repair or replace said assets.

- 3.7 Upon termination or expiration of contract, the title to any remaining equipment purchased from funds under this contract reverts to HHSC or another party designated by HHSC. HHSC may, at its option and to the extent allowed by law, transfer title of such property to the Subrecipient.
- 3.8 The Subrecipient must follow the American Hospital Association's ("AHA") "Estimated Useful Lives of Depreciable Assets" for equipment and controlled asset disposition purposes, except when federal or statutory requirements supersede. After each item's end of its useful

life, approval for disposition is not required. However, the Subrecipient must ensure that disposition of any equipment and/or controlled asset is in accordance with the terms of the contract such as compliance with Generally Accepted Accounting Principles and is notated in the Equipment and Controlled Assets Inventory.

#### **4. Payments**

- 4.1 The Subrecipient must submit requests for reimbursement in the ECI financial database or other form designated by HHSC, not later than 30 calendar days following the end of the month for which reimbursement is requested.
- 4.2 The Subrecipient may submit a final claim for reimbursement by November 15<sup>th</sup> following the end of the current Contract period if all costs have not been recovered. Reimbursement requests submitted after this date may not be paid, at the discretion of HHSC.
- 4.3 The Subrecipient must use Direct Deposit unless prior approval is obtained from HHSC and a waiver is on file.
- 4.4 HHSC will make payments for approved reimbursement requests or provide notice of denial of a reimbursement request submitted within 30 calendar days after receipt of the reimbursement request.
- 4.5 The Subrecipient must submit all reimbursement requests, unless a budget adjustment request has been submitted and approved.
- 4.6 Payment is considered made on the date postmarked or the date funds are transferred electronically.
- 4.7 HHSC will determine whether costs submitted by Subrecipient are allowable and reimbursable.
- 4.8 If HHSC has paid funds to the Subrecipient for unallowable or ineligible costs, the Subrecipient must return the funds to HHSC within 30 calendar days of identification of the unallowable or ineligible costs unless another deadline is specified by HHSC.
- 4.9 HHSC may recoup funds available under any contract, active or expired, in amounts necessary to fulfill Subrecipient repayment obligations.
- 4.10 During the first fiscal year of the contract cycle, the Subrecipient may request a cash advance to add with startup costs in accordance with the requirements below:
  - 4.10.1 The Subrecipient may submit a Request for Advance Payment for this Contract to meet immediate need for cash disbursement.
  - 4.10.2 The Request for Advance Payment and an ECI financial database voucher, or other form designated by HHSC, for the advance request amount must be

submitted within 60 days of the start of the first fiscal year of the contract cycle. HHSC will evaluate and approve or disapprove the advance request in writing.

- 4.10.3 The amount of the advance will be determined by the amount and term of this Contract. For this Contract, the amount of the advance will not exceed 1/12 of the total amount of the contract.
  - 4.10.4 Advance funds must be expended within 30 business days of receipt.
  - 4.10.5 Advance payments must be reconciled and repaid no later than May of the first fiscal year of the contract cycle.
  - 4.10.6 Subrecipient will add interest earned on advanced funds to supplement the funds already committed to the project by both HHSC and Subrecipient.
- 4.11 The Subrecipient may request reimbursement for mileage and other travel-related costs, including toll charges, for travel which directly benefits the Contract and that is for an allowable activity within the Contract. Travel which benefits multiple programs must be allocated. The Subrecipient must calculate mileage using a standard web-based mapping service and must, upon request by HHSC, provide supporting documentation for all travel expenses billed to the ECI program budget.

## **5. Reporting**

- 5.1 The Subrecipient must submit a Financial Status Report and Expenditure Summary by Funding Source for all costs billed during the current Contract period in the ECI financial database, or other system designated by HHSC, by December 30, March 30, June 30, and November 15.
- 5.2 Financial reports, including invoice submissions, are required as provided in TxGMS, and the Subrecipient must file these reports regardless of whether expenses have been incurred. The Subrecipient may be required to submit additional reports as requested of HHSC by the Texas Legislature, United States Department of Education, and any other federal or regulatory bodies covering Subrecipient's activities under this contract.
- 5.3 The Subrecipient's failure to enter complete and accurate data submission of reports after the established due dates, failure to submit reports, or failure to respond to HHSC inquiries about data on reports within the specified timeline may result in adverse actions.

## **6. Standards For Program and Financial Management**

- 6.1 The Subrecipient must develop, implement, and maintain program management, financial management, and control systems that meet or exceed the requirements of the "Uniform Grant and Contract Management Act," *Texas Government Code* Chapter 783, and TxGMS, adopted by reference in their entirety, and applicable federal and state laws, regulations, and policies.

These requirements will include at a minimum:

- 6.1.1 financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs;
  - 6.1.2 financial management systems including accurate, correct, and complete payroll, accounting, and financial reporting records; cost source documentation; effective internal and budgetary controls; determination of reasonableness, allowableness, and appropriateness of allocation of costs; and timely and appropriate audits and resolution of any findings;
  - 6.1.3 program management systems including, but not limited to: accurate, auditable, correct and complete records of service access and service delivery; oversight of program's compliance with all applicable laws, policies, and regulations; oversight of the program's required performance standards and measures; systems to ensure the effective and efficient use of resources to deliver services to children and their families; and oversight for accepting referrals and initiating pre-enrollment processes that require that referral information be transferred to the appropriate Subrecipient within two business days if the family resides in another ECI Subrecipient's service area;
  - 6.1.4 written policies and procedures for third-party billing in accordance with the requirements specified in the ECI rules and contract, including a system to effectively and efficiently bill available and appropriate third-party payors and follow up with third party payors if claims are denied or not paid timely. A third-party payor is any person or entity who has the legal responsibility for paying all or part of the services provided, including, but not limited to Medicaid, Children's Health Insurance Program ("CHIP"), Children with Special Health Care Needs ("CSHCN"), private insurance carriers, managed care providers, and other available federal, state, local and private funding sources; and
  - 6.1.5 billing and collection policies for implementing a family cost share system as required by TAC Title 26, Part 1, Chapter 350, Subchapter N.
- 6.2 The Subrecipient and its governing board will bear full responsibility for the integrity of the fiscal and programmatic management of the organization. Such responsibility will include:
- 6.2.1 accountability for all funds and materials received from HHSC;
  - 6.2.2 compliance with HHSC rules, policies, and applicable federal and state laws and regulations, including any subsequent amendments or revisions of applicable rules, regulations, and policies during the current Contract period as of the effective date of the change; and
  - 6.2.3 correction of fiscal and program deficiencies identified through self-evaluation and HHSC monitoring processes. The Subrecipient must correct any identified noncompliance as soon as possible, but no more than one year from identification

of the finding or within the time frame set by HHSC. This includes correcting each individual case of programmatic noncompliance, unless the child is no longer within the jurisdiction of the Subrecipient's local ECI program.

- 6.3 The Subrecipient's governing board will ensure separation of powers, duties, and functions of board members and staff. Ignorance of any contract provisions or other requirements contained or referenced in this contract will not constitute a defense or basis for waiving or appealing such provisions or requirements.

## **7. Adjustments to Contract Amount and Contract Number of Children**

- 7.1 If necessary, based on procedures determined by HHSC, HHSC may adjust the contract amount and the contract average number of children served monthly during the current Contract period by formal amendment. HHSC will inform the Subrecipient of the method to be used for calculating contract adjustments prior to making any amendments.
- 7.2 Adjustments will be based on measurable performance-related data and may include average monthly enrollment, average monthly service delivery hours, or other relevant data.
- 7.3 During the current Contract period, HHSC may request that the Subrecipient identify contract funds that will not be expended during the fiscal year. HHSC may then reduce the contract by the amount of the unexpended funds.