DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: **#11-39-B**	2. STATE **New York**
	3. PROGRAM IDENTIFICATION: **TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)**	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE **October 1, 2011**	

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION: **42 CFR Part 447.205** **Social Services Law Section 368-d & 368-e**	7. FEDERAL BUDGET IMPACT (in thousands): **a. FFY 10/01/11-09/30/12 $ 10,000** **b. FFY 10/01/12-09/30/13 $ 15,000**
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: **Attachment 4.19-B - Pages 17(p), 17(q), 17(r), 17(r)(i), 17(r)(ii), 17(s), 17(s)(i), 17(t), 17(t)(i), 17(u)**	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

10. SUBJECT OF AMENDMENT:
Preschool Supportive Health Services Program (SSHSP)
(FMAP = 50%)

11. GOVERNOR'S REVIEW *(Check One)*:
☒ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO: **New York State Department of Health** **Bureau of Federal Relations & Provider Assessments** **99 Washington Ave – One Commerce Plaza** **Suite 1460** **Albany, NY 12210**
13. TYPED NAME: **Jason A. Helgerson**	
14. TITLE: **Medicaid Director** **Department of Health**	
15. DATE SUBMITTED: DEC 14 2011	

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17. DATE RECEIVED: December 14, 2011	**18. DATE APPROVED:** December 22, 2014

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2014	**20. SIGNATURE OF REGIONAL OFFICIAL:**
21. TYPED NAME: Michael J. Melendez	**22. TITLE:** Associate Regional Administrator

23. REMARKS:

FORM HCFA-179 (07-92)

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Preschool Supportive Health Services Program (PSSHSP)

A. Reimbursement Methodology for PSSHSP

Preschool-based services, known as Preschool Supportive Health Services (PSSHS), are delivered by the counties and include the Medicaid services as described in Attachments 3.1-A and 3.1-B of the Medicaid State Plan under item 4.b, Early and Periodic Screening, Diagnostic and Treatment Services (EPSDT). Counties will be paid only for direct Medicaid-covered services provided pursuant to an Individualized Education Program (IEP). Preschool Supportive Health Services include:

1. Physical Therapy Services
2. Occupational Therapy Services
3. Speech Therapy Services
4. Psychological Counseling
5. Skilled Nursing Services
6. Psychological Evaluations
7. Medical Evaluations
8. Medical Specialist Evaluations
9. Audiological Evaluations
10. Special Transportation

B. Direct Medical Payment Methodology

Effective for dates of service on or after October 1, 2011, providers with the exception of those located in a city with a population of over one million will be paid on a cost basis. Providers will be reimbursed interim rates for PSSHS direct medical services per unit of service at the statewide interim rate as specified the EPSDT section of this Attachment. On an annual basis a county-specific cost reconciliation and cost settlement for all over and under payments will be processed.

The units of service are defined by each Health Insurance Portability and Accountability Act (HIPAA) compliant Current Procedural Terminology (CPT) or Healthcare Common Procedure Coding System (HCPCS) code. Direct medical services may be encounter-based or in 15-minute unit increments. The interim rate is the rate for a specific service for a period that is provisional in nature, pending the completion of cost reconciliation and cost settlement for that period. PSSHSP providers must maintain organized and confidential documentation regarding the services provided, including written orders; session notes; and students' Individualized Education Programs. Such documentation must be maintained for a period of six years from the date the services were furnished or billed, whichever is later.

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C. Data Capture for the Cost of Providing Health-Related Services

Data capture for the cost of providing health-related services will be accomplished utilizing the following data sources:

1. Total direct and indirect costs, less any federal non-Medicaid payments or other revenue offsets for these costs, will be captured utilizing the following data sources:

   a. PSSHS cost reports received from counties, in the State of New York inclusive of the Allowable cost categories defined in paragraphs D.1 and D.2 of this section;

   b. Time Study (TS) Activity Code 4.b (Direct Medical Services) and Activity Code10 (General Administration):

      i. Direct medical TS percentage; and

   c. School District specific Individualized Education Program (IEP) Medicaid Eligibility Ratios.

A glossary of the key terms used in the cost reporting process described in the PSSHSP section can be found as Appendix 2 of the NY DOH Guide to Cost Reporting for the Pre-School Supportive Health Service Claiming Program.

D. Data Sources and Cost Finding Steps

The following provides a description of the data sources and steps to complete the cost finding and reconciliation:

1. **Allowable Costs:** Direct costs for direct medical services include unallocated payroll costs and other unallocated costs that can be directly charged to direct medical services. Direct payroll costs include total compensation (i.e., salaries and benefits and contract compensation) of direct services personnel listed in the description of covered Medicaid services delivered by counties under the current Attachments 3.1-A and 3.1-B of the State Plan, excluding transportation personnel costs which are to be reported under *Special Transportation Services Payment Methodology* section as described in paragraph E of this section. These direct costs will be calculated on a Medicaid provider-specific level and will be reduced by any federal payments for these costs, resulting in adjusted direct costs.

   Other direct costs include costs directly related to the approved direct services personnel for the delivery of medical services, such as medically-related purchased services, supplies and materials. These direct costs are accumulated on the annual PSSHS Cost Report and are reduced by any federal payments for these costs, resulting in adjusted direct costs. The cost report contains the scope of cost and methods of cost allocation that have been approved by the Centers for Medicare & Medicaid Services (CMS).

   The source of this financial data will be audited county level payroll and general ledger data maintained at the county level.

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a. *Direct Medical Services*
Non-federal cost pool for allowable providers consists of:
   i. Salaries;
   ii. Benefits (employer paid);
   iii. Medically-related purchased services; and
   iv. Medically-related supplies and materials.

b. *Contracted Service Costs*
Contracted service costs represent the costs incurred by the Local Education Agency (LEA) for IEP direct medical services rendered by a contracted service provider. Total contracted service costs are inclusive of only those costs for the provision of IEP direct medical services.

Total contracted service costs are reduced for any federal fund or other reduction, including revenue offsets, and further reduced by the application of the LEA IEP Ratio in order to determine the Medicaid IEP direct medical service contract costs. Contracted service costs are not eligible for the application of the unrestricted indirect cost rate.

c. *Tuition Costs*
Tuition costs represent the costs incurred by the LEA for a student placed in an out-of-district (private school, §4201 school) or preschool agency setting. Tuition costs will be reflective of only those costs related to the provision of IEP direct medical services and are not eligible for the application of the unrestricted indirect cost rate. The health related portion of the tuition costs will be determined through the application of a health related tuition percentage to the annual tuition costs reported by the school district. The health related tuition percentage will be specific to each out-of-district provider and will be calculated annually based on annual financial reports, the CFR, submitted to the New York State Education Department (SED). The CFRs used in calculating the health related tuition percentage will be those from the most current, complete year available. *For example*, for the cost reports covering October 1, 2011 – June 30, 2012, the CFRs from the 2009-2010 school year were used in calculating the health related tuition percentages. The methodology used to calculate health related tuition percentages is available on the Department of Health website at:

https://www.health.ny.gov/health_care/medicaid/program/psshsp/

and the State Education Department website at:

http://www.oms.nysed.gov/medicaid/CPEs/home.html.

The methodology is also found in the approved Cost Reporting Guide and on the Dashboard of the web-based cost reporting tool.

NOTE: Effective with the cost reporting period beginning on July 1, 2013 a portion of tuition payments related to the provision of IEP direct medical services for students in §4201 schools may be included in the cost report for the county or school district of residence. Effective July 1, 2013 §4201 schools are not eligible to bill for Medicaid services.

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For cost reporting periods prior to July 1, 2013 counties or school districts will not be allowed to include any costs associated with tuition payments made to §4201 schools as these entities were eligible to bill for Medicaid services during these periods.

NOTE: When a LEA incurs costs for a student receiving services through a BOCES, the costs for the IEP direct medical services must be discretely identified and included as contracted service costs (as defined in D.1.b). LEAs will not be permitted to report BOCES costs as tuition costs.

d. *Intergovernmental Agreement Costs*
Intergovernmental agreement costs represent costs for services provided through a contractual or tuition based arrangement in which the LEA purchasing the services and the LEA providing services are both public school districts or counties. Relationships between counties and private schools, 4201 schools, BOCES, private vendors, or other non-public entities would be reported as described in section b (Contracted Service Costs) or c (Tuition Costs).

i. Intergovernmental Agreement Contracted Service Costs
Contracted service costs represent the costs incurred by the LEA for IEP direct medical services rendered by a public school or county through a contractual agreement. Total contracted service costs are inclusive of only those costs for the provision of IEP direct medical services.

Total contracted service costs are reduced for any federal fund or other reduction, including revenue offsets, and further reduced by the application of the LEA IEP Ratio in order to determine the Medicaid IEP direct medical service contract costs.

A revenue offset must be reported by the public school or county providing the IEP direct medical service equal to the expense reported by the school district purchasing the service. The total for all intergovernmental agreement contract costs is expected to equal $0 in the aggregate, statewide.

The revenue offset will be calculated based on the calculation of the Medicaid Allowable Costs for the LEA incurring the expense. Therefore, the revenue offset will be calculated using the IEP Ratio of the LEA reporting the expense. This will ensure that the net Medicaid Allowable Cost for the transaction will be $0.

ii. Intergovernmental Agreement Tuition Costs
Tuition costs represent the costs incurred by the LEA for a student placed in another public school or county for all services (educational and IEP direct medical services). Tuition costs will be reflective of only those costs related to the provision of IEP direct medical services. The health related portion of the

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tuition costs will be determined through the application of a health related tuition percentage to the annual tuition costs reported by the school district. The health related tuition percentage will be specific to each public school or county and will be calculated annually based on annual financial reports, the ST-3, submitted to the New York State Education Department. The ST-3s used in calculating the health related tuition percentage will be those from the most current, complete year available. *For example,* for the cost reports covering October 1, 2011 – June 30, 2012, the ST-3s from the 2009-2010 school year were used in calculating the health related tuition percentages. The methodology used to calculate health related tuition percentages is available on the Department of Health website at:

https://www.health.ny.gov/health_care/medicaid/program/psshsp/

and the State Education Department website at:

http://www.oms.nysed.gov/medicaid/CPEs/home.html.

The methodology is also found in the approved Cost Reporting Guide and on the Dashboard of the web-based cost reporting tool.

A revenue offset must be reported by the public school or county providing the services under the tuition arrangement (receiving the tuition payment) equal to the expense reported by the school district paying the tuition. The total for all intergovernmental agreement tuition costs is expected to equal $0 in the aggregate, statewide.

The revenue offset will be calculated based on the calculation of the Medicaid Allowable Costs for the LEA incurring the expense. Therefore, the revenue offset will be calculated using the IEP Ratio of the LEA reporting the expense. This will ensure that the net Medicaid Allowable Cost for the transaction will be $0.

2. **Indirect Costs:** Indirect costs for counties are determined by applying a 10 percent indirect cost rate to the Direct Medical Service Costs, defined in paragraph D.1.a., following the application of the Direct Medical Service Time Study Percentage, defined in paragraph D.3. The unrestricted indirect cost rate will not be applied to Contracted Service Costs (D.1.b), Tuition Costs (D.1.c), Intergovernmental Agreement Costs (D.1.d) and Contracted Transportation Service Costs (E.2.e). The New York SED is not responsible for developing an indirect cost plan for counties and does not approve indirect cost rates for the counties. Per OMB-A-87 Attachment A, Section G, a standard indirect cost allowance of 10 percent shall be applied to adjusted direct costs for counties. This rate will be used on an annual basis and updated to reflect any changes to OMB-A-87. Providers are permitted only to certify Medicaid-allowable costs and are not permitted to certify any indirect costs that are outside their unrestricted indirect cost rate.

Indirect Cost Rate

a. Apply a standard ten percent for indirect cost allowance to adjusted direct costs for New York State counties.

3. **Time Study:** A time study that incorporates CMS-approved methodology is used to determine the percentage of time that medical service personnel spend on direct medical services, general and administrative time and all other activities to account for 100 percent of time to assure that there is no duplicate claiming. The time study methodology for counties will include all clinicians that are employees of a county and will utilize a time log approach that accounts for 100 percent of time for each county employed clinician. This methodology will generate a Direct Medical Service time study percentage that will be applied to the appropriate direct costs to determine the Direct Medical Service costs.

   The direct medical service percentages will be calculated using the average from the three quarterly time studies which will occur during the quarters of October to December, January to March, and April to June. *For example,* for cost reporting period July 1, 2012 through June 30, 2013, the RMTS quarters would be October 2012 to December 2012, January 2013 to March 2013 and April 2013 to June 2013.

Direct Medical Service TS Percentage

a. Fee-For-Service TS Percentage
   i. Direct Medical Service Cost Pool: Apply the Direct Medical Service percentage from the Time Study (Activity Code 4.b.). The direct medical service costs and time study results must be aligned to assure appropriate cost allocation.

b. General Administrative Percentage Allocation
   i. Direct Medical Service All Other Cost Pool: Apply the General Administrative time applicable to the Direct Medical Services percentage from the Random Moment Time Study (Activity Code 10). The direct medical services costs and time study results must be aligned to assure appropriate cost allocation.

The formula below details the Direct Medical Percentage (Activity Code 4.b) with the applicable portion of General Administration (Activity Code 10) reallocated to it. The same calculation is completed for the Direct Medical Service Therapy and Direct Medical Service All Other cost pools.

A = All Codes
D = IEP Direct Medical Services (Activity Code 4.b)
R = Redistributed Activities (Activity Code 10)
U = Unallowable (Activity Code 11)

Direct Medical Service Percentage = $$\frac{D+\left(\frac{D}{A-R-U} * R\right)}{A}$$

4. **IEP Medicaid Eligibility Ratio:** A county-specific IEP Ratio will be established for each participating county. When applied, this IEP Ratio will discount the Direct Medical cost pool by the percentage of IEP Medicaid students. The IEP ratio will be based on child count reporting required for Individuals with Disabilities Education Act (IDEA) on the first Wednesday in October of the Fiscal Year for which the report is completed. *For example,* for the cost reporting period covering July 1, 2012 through June 30,

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2013, the IEP Ratio will be based on the student count from October 3, 2012.

The names and birthdates of students with an IEP with a direct medical service will be identified from the Student Count Report as of the first Wednesday in October and matched against the Medicaid eligibility file to determine the percentage of those that are eligible for Medicaid. The numerator will be the number of Medicaid eligible IEP students in the LEA with a direct medical service, as outlined in their IEP. The denominator will be the total number of students in the LEA with an IEP with a direct medical service as outlined in their IEP. Direct medical services are those services billable under the PSSHS program.

The IEP Medicaid Eligibility Ratio will be calculated on an annual basis using student counts as of the first Wednesday of October for the fiscal year for which the cost report is completed.

5. **Total Medicaid Reimbursable Cost:** The results of the previous steps will be a total Medicaid reimbursable cost for each county for Direct Medical Services.

E. Special Transportation Services Payment Methodology

Effective for dates of service on or after October 1, 2011, providers will be paid on a cost basis. Providers will be reimbursed interim rates for PSSHS Special Transportation services as specified the *Special Transportation* paragraph of the EPSDT section of this Attachment. Federal matching funds will be available for interim rates paid by the State. On an annual basis a cost reconciliation and cost settlement will be processed for all over and under payments.

The State requires providers billing the Medicaid program to keep a log of one-way trips. The State conducts audits of PSSHSP providers through the Office of the Medicaid Inspector General, including special transportation services. Audit protocols developed include review of documentation of Medicaid services other than transportation delivered to the student on the day he or she received special transportation services.

Special transportation is allowed to or from a Medicaid covered direct IEP service which may be provided at school or other location as specified in the IEP. Transportation may be claimed as a Medicaid service when the following conditions are met:

- Special transportation is specifically listed in the IEP as a required service;
- The child required special transportation in a vehicle that has been modified as documented in the IEP;
- A Medicaid IEP medical service (other than transportation) is provided on the day that special transportation is billed; and
- The service billed represents a one-way trip.

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1. **Allowable Costs:** Transportation costs included on the cost report worksheet will only include those personnel and non-personnel costs associated with special education reduced by any federal payments for these costs, resulting in adjusted costs for transportation. The cost identified on the cost report includes the following:

   a. **Personnel Costs** – Personnel costs include the salary and benefit costs for transportation providers employed by the county. The definitions for allowable salary and benefit costs for transportation services are the same as for direct medical service providers (defined under paragraph D of this section). The personnel costs may be reported for the following staff:
      i. Bus Drivers;
      ii. Attendants;
      iii. Mechanics; and
      iv. Substitute Drivers.

   b. **Transportation Other Costs** – Transportation other costs include the non-personnel costs incurred in providing the transportation service. These costs include:
      i. Lease/Rental costs;
      ii. Insurance costs;
      iii. Maintenance and Repair costs;
      iv. Fuel and Oil cost;
      v. Contracted – Transportation Services and Transportation Equipment cost; and
      vi. Other transportation non-personnel costs.

   c. **Transportation Equipment Depreciation Costs** – Transportation equipment depreciation costs are allowable for transportation equipment purchased for more than $5,000.

   The source of these costs will be audited payroll and general ledger data for each county.

   Counties may report all transportation expenditures incurred during the period covered by the annual cost report. Counties will be required to complete the Specialized Transportation Ratio in order to apportion their transportation expenditures between specialized transportation and non-specialized transportation.

2. **Special Transportation Allocation Methodology:** All transportation costs reported on the annual cost report will be apportioned through two transportation ratios; the Specialized Transportation Ratio and the Medicaid One-Way Trip Ratio.

   a. **Specialized Transportation Ratio –** The Specialized Transportation Ratio is used to discount the transportation costs by the percentage of Medicaid eligible IEP students receiving specialized transportation services. This ratio ensures that only the portion of transportation expenditures related to the specialized transportation services for Medicaid eligible students are included in the calculation of Medicaid allowable transportation costs.

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The Specialized Transportation Ratio will be calculated based on the number of Medicaid eligible students receiving specialized transportation services in the county. The numerator for the ratio will be the total number of Medicaid eligible IEP students receiving specialized transportation services. The denominator for this ratio will be the total number of all students receiving transportation services. The data for this ratio will be based on the same point in time as is used for the calculation of the IEP ratio, defined in D.4.

b. **Medicaid One-Way Trip Ratio**- A county-specific Medicaid One-Way Trip Ratio will be established for each participating county. When applied, this Medicaid One-Way Trip Ratio will discount the transportation costs following the application of the Specialized Transportation Ratio by the percentage of Medicaid IEP one-way trips. This ratio ensures that only Medicaid allowable specialized transportation costs are included in the cost settlement calculation.

The Medicaid One-Way Trip Ratio will be calculated based on the number of one-way trips provided to students requiring specialized transportation services per their IEP and receiving another Medicaid covered service on that same day. The numerator of the ratio will be based on the Medicaid paid one way trips as identified in the State's Medicaid Management Information System (MMIS) data. The denominator will be based on the county transportation logs for the number of one-way trips provided to Medicaid eligible special education students with specialized transportation in the IEP. The denominator should be inclusive of all one way trips provided to students with specialized transportation in their IEP, regardless of whether the trip qualified as Medicaid specialized transportation or not. The data for this ratio will be based on the total number of trips for the entire period covered by the cost report, i.e. all one way trips provided between July 1 and June 30.

F. Certification of Funds Process

Each provider certifies on an annual basis through its cost report its total actual, incurred allowable costs/expenditures, including the federal share and non-federal share. Certification is conducted on an annual basis.

G. Annual Cost Report Process

Each provider will complete an annual cost report for all school health services delivered during the previous fiscal year covering the July 1st through June 30th. The cost report is due on or before December 31st of the same year of the reporting period. The primary purposes of the cost report are to:

1. Document the provider's total CMS-approved, Medicaid allowable scope of costs for delivering school health services, including direct costs and indirect costs, based on CMS-approved cost allocation methodology procedures; and

2. Reconcile its interim payments to its total CMS-approved, Medicaid allowable scope of costs based on CMS-approved cost allocation methodology procedures.

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The annual PSSHS Cost Report includes a certification of funds statement to be completed, certifying the provider's actual, incurred costs/expenditures. All filed annual PSSHS Cost Reports are subject to a desk review by the DOH or its designee.

H. Cost Reconciliation Process

Once all interim claims (CPT/HCPCS claims) are paid, the state will calculate the final reconciliation and settlement. There will be separate settlements for every Medicaid provider. The cost reconciliation process will be completed after the reporting period covered by the annual PSSHSP Cost Report. The total CMS-approved, Medicaid allowable scope of costs based on CMS-approved cost allocation methodology procedures is compared to the provider's Medicaid interim payments for school health services delivered during the reporting period as documented in the MMIS and CMS-64 form, resulting in cost reconciliation.

For the purposes of cost reconciliation, the State may not modify the CMS-approved scope of costs, the CMS-approved cost allocation methodology procedures, or its CMS-approved time study for cost-reporting purposes. CMS approval will be sought prior to any modification to the scope of cost, cost allocation methodology procedures, or time study for cost-reporting purposes.

I. Cost Settlement Process

For services delivered for a period covering July 1st through June 30th, the annual PSSHSP Cost Report is due on or before December 31st of the same year. The final reconciliation will occur prior to the 24th month following the end of the fiscal period to ensure all claims are paid through MMIS for the dates of service in the reporting period.

As part of the final cost reconciliation and cost settlement DOH will conduct an analysis of the Medicaid payments to ensure compliance with the requirements for efficiency and economy as outlined in the Social Security Act section 1902(a)(30)(A) and LEAs found to be out of compliance may be subjected to a corrective action plan.

If interim claiming payments exceed the actual, certified costs of the provider for PSSHSP services to Medicaid clients, an amount equal to the overpayment will be returned. Overpayments will be recouped within one year from the date that the overpayment was discovered.

If actual, certified costs of a provider for PSSHSP services exceed the interim claiming, the Department of Health (DOH) and the providers will share in the retention of the incremental payment. The final settlement will be an accounting adjustment that is made off-line for each provider. The State will report the final settlement that is paid to each provider in the CMS-64 form for the quarter corresponding to the date of payment.

J. Sunset Date

Effective for dates of service on or after October 1, 2011 through June 30, 2016; the State will be able to process cost reconciliations and cost settlements on all cost reports completed for the fiscal years covering dates of service through June 30, 2016.