Reply to
Attn. of: CACFP-537

Subject: 1. Documentation and Sponsor Responsibility for Categorical Eligibility Benefit Letters
2. Reimbursement for Providers Who Are Tier I and Tier II in the Same Month in the Child and Adult Care Food Program (CACFP)

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas, (Child Nutrition Programs) Missouri DH, Montana DPHSS, Nebraska ED, North Dakota, South Dakota, Utah and Wyoming ED

The purpose of this memo is to provide information about what type of information must be present to document categorical eligibility for Tier I providers and to clarify the sponsor's monitoring responsibilities with this data.

At the Consultants Meeting in Park City, it came to our attention that some categorically eligible program benefit letters provided to households may not document the duration of those benefits. As long as the benefit letter allows the sponsor to make a determination of eligibility, the certification period does not need to be indicated.

We have also been questioned about the sponsor's monitoring responsibilities when benefits from the categorically eligible programs for a Tier I provider expire according to information provided on a benefit letter. The sponsor may grant the provider temporary Tier I status on the basis of the categorical eligibility letter, and request documentation that participation has been renewed, if the sponsor has reason to believe that the household will no longer be eligible. In this scenario, the sponsor would follow up when they know that benefits have expired to ensure the household is still categorically eligible. If the sponsor has no reason to believe that benefits will not be renewed, Tier I status may be granted for the full-1-year period.

We have also received questions regarding how reimbursement should be calculated for a provider who is Tier I eligible for part of the month and Tier II for the remainder of the month. The norm is the provider is reimbursed for rates based on each tier status. For example, if the provider was eligible to
receive Tier I rates for the first 15 days and eligible to receive Tier II rates for the last 15 days, the provider would be reimbursed at the Tier I rate for the first 15 days and at the Tier II rate for the remaining 15 days.

However, an SA may have a reason or need to establish a policy that allows the payment of only one rate in a month (i.e., in order to accommodate computer systems). There are a couple of options if this needs to be done:

1. When a change occurs, the provider will only be reimbursed for all meals at Tier II rates for the entire month. A provider who is only eligible to receive Tier I rates for a portion of a month would not be eligible to receive the higher rate of reimbursement for the entire month. Providers cannot receive a higher reimbursement rate than they were eligible to receive for that portion of the month they were Tier II. For example, a provider who was eligible to receive Tier II rates for the first 18 days of the month and then eligible to receive Tier I rates for the remaining 12 days would then be reimbursed at the Tier II rate for the entire month.

2. The SA could allow providers to elect to receive payment for only that portion of the month they were eligible to receive Tier I rates and not be paid for the portion of the month they were eligible to receive Tier II rates. This option would be advantageous to a provider who was eligible for Tier I rates for the greater part of the month and eligible to receive Tier II rates for only a few days. For example, a provider who was eligible to receive Tier I rates for the first 27 days and eligible to receive Tier II rates for the remaining 3 days could then elect to be reimbursed for only the first 27 days at the Tier I rate. The Provider would receive no reimbursement for the meals served the last 3 days.

A provider must be classified as either Tier I or Tier II for reporting purposes. A single provider could not be reported in both tiers since that would inflate data. It is suggested that a set date be chosen: i.e., the last day of the month, and whatever tier each provider is classified in at that date, is the tier to be reported.

If you have any questions or comments, please contact my staff at (303) 844-0359.

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