

**MILWAUKEE COUNTY DEPARTMENT OF HEALTH AND HUMAN SERVICES
PAYOR OF LAST RESORT POLICY FOR COMMUNITY BASED RESIDENTIAL
FACILITY (CBRF) CONTRACTS AND FEE-FOR-SERVICE AGREEMENTS**

Under the terms of your Contract or Fee-for-Service Agreement with the Milwaukee County Department of Health and Human Services (DHHS), funds are intended to be the “payor of last resort” after all other public and private funds, including medical insurance, have been exhausted. The policy acts to influence reimbursement at two levels.

At the level of the service recipient, the “payor of last resort” means that contractors, vendors, and/or providers under contract with the DHHS are required to exhaust all other governmental or private resources before using DHHS funds. This includes, but is not limited to, Medicaid, health insurance, and other third party reimbursements, etc. In other words, the County does not pay for services to a service recipient if other sources of revenue are available to pay for those services.

At the program level, the “payor of last resort” policy applies to grants, contributions, and other public and private sources of revenue that are restricted to the program or services being purchased. The restricted funds are first applied to program expenses to arrive at net allowable expenses for rate-based services. Any unspent revenue received by an agency for a program under contract with the DHHS may become excess revenue, in which case it is deemed to be unspent Milwaukee County funds and must be returned to the County.

Milwaukee County does, however, encourage agencies to expand fund raising efforts for programs under contract with the DHHS, with the assumption that agencies will use these funds to cover program expenditures. To derive maximum benefit from the receipt of additional revenue, it is important to understand the distinction between restricted and unrestricted revenue:

RESTRICTED REVENUE refers to funds for which the donor or grantor restricts the recipients use of the funds for a specified program(s), service(s) and/or population, usually within an identified time frame.

UNRESTRICTED REVENUE refers to funds for which the donor or grantor has placed no restrictions on the recipients use of the funds.

With RESTRICTED REVENUE, the amount of funds received by an agency must be recorded as income for the program(s) or service(s) specified by the grantor.

With UNRESTRICTED REVENUE, the amount of funds received by an agency can be recorded as income for an administrative fund. Then, if the need arises, unrestricted revenue may be transferred from the administrative fund to be used for a program fund.

This distinction has significant implications for Milwaukee County contract agencies when the annual audit reports are submitted for review. As the County is the “payor of last resort,” any surplus restricted program revenue is to be returned to the County as unspent County funds. Any surplus unrestricted revenue, i.e., donations, contributions, etc., held by an agency in an administrative fund, can be retained by the agency and will not be recovered through the annual audit review process.