

MAR 12, 1991

SUBJECT: Questions and Answers #3: Two-tier Reimbursement Structure for Family Day Care Homes Participating in the Child and Adult Care Food Program (CACFP)

TO: Regional Directors  
Child Nutrition Programs  
All Regions

Attached is the third set of questions and answers on the two-tiered reimbursement structure for family day care homes in the CACFP. Also attached are: (1) "Enrollment and Attendance List Examples"; and (2) "Computing Reimbursement for a Tier H Mixed Home." Please forward these to your State agencies as soon as possible. We also encourage you to continue forwarding any new questions that you, your State agencies, and sponsoring organizations have on the two-tiered reimbursement structure.

If you have any additional questions, please contact Ed Morawetz, Melissa Rothstein or Janet Wallington at (703) 305-2620.

**Original Signed**

ROBERT M. EADIE  
Acting Director  
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Attachments

**Tier I Day Care Homes**

***Elementary School and Census Data***

1. **Question:** In addition to the list of elementary schools in which 50 percent or more of enrolled children have been determined to be eligible for free or reduced price meals, are NSLP State agencies or school food authorities required to provide sponsors with attendance area information for these schools?

**Answer:** Although the interim rule did not specifically require NSLP State agencies or school food authorities to provide attendance area information along with the list of eligible elementary schools, we assumed that such information would be publicly available to sponsoring organizations. Based on concerns that were expressed on this subject, our February 10, 1997, memorandum requested that all NSLP State agencies contact their school food authorities to urge them to provide elementary school boundary information to requesting sponsoring organizations. In order to minimize burden, our memorandum asked that school food authorities provide the attendance area information directly to requesting sponsoring organizations, rather than having NSLP State agencies gather the information for all eligible schools. However, it is permissible for an NSLP State agency to require school food authorities to provide them the appropriate attendance area information, which the NSLP State agency could then provide to the CACFP State agency.

2. **Question:** Is it permissible for NSLP State agencies to report schools with 50 percent or more enrolled children eligible for free or reduced price meals based on data from a month other than October? Data reported later in the year will likely be more reflective of schools' enrollment.

**Answer:** Section 210.9(b)(20) of the interim regulation requires that, by March 31, 1997, and by December 31 each year thereafter, each school food authority provide the State agency with a list of all elementary schools under its jurisdiction in which at least 50 percent of enrolled children have been determined eligible for free or reduced price meals as of the last operating day of the preceding October. October data is being utilized for the CACFP in an effort to "piggyback" on existing school food authority reporting requirements for the NSLP. If comments on the interim rule indicate that data from another month would be more appropriate, we will consider changing the requirement in the final rule. Unless a change is made, however, October data must be used.

3. **Question:** If a school's percentage of enrolled children eligible for free or reduced price meals is 49.45 percent or higher, can the percentage be rounded to 50 percent?

**Answer:** No. In accordance with P.L. 104-193 and the interim regulation, a school must have **at least 50 percent** of its enrolled children eligible for free or reduced price meals in order to qualify day care homes in the school's attendance area as tier I homes. Rounding is not appropriate in this type of situation and is not permitted.

4. Question: Is there a general rule for how State agencies and sponsors should handle the numerous “special cases” that exist in States with regard to elementary schools?

Answer: In making decisions on the appropriate use of school data for these special cases, State agencies and sponsors should consider, to the extent possible: (1) the State’s normal definition of “elementary school;” and (2) whether there is a meaningful relationship between the data and a particular geographic area. For example, if a State which normally defines elementary school as grades K-8 has a rural area served by only one school with grades K-12, free and reduced price data for the entire school could be used because the school data would be reflective of the economic status of the school’s attendance area. It would also be appropriate in this case for the State to “factor out” data from grades 9-12, if possible. Similarly, in a case in which the same area is served by one elementary school with grades K-3 and one with grades 4-6, free and reduced price eligibility data and enrollment for both schools could be combined.

5. Question: Should sponsors use elementary school free and reduced price data for magnet or charter schools?

Answer: In most cases, free and reduced price data from magnet or charter schools would not be representative of the income status of any particular area since these schools typically draw students from a very broad area, and sometimes from an entire city, town, or county. Therefore, it will usually be necessary for sponsors to exclude magnet and charter school data, and look to neighborhood elementary school or census data to determine whether a home is located in an eligible area.

6. Question: Can sponsors use the free and reduced price eligibility data for a school that is operating under one of the alternate application and counting provisions (Provision 1, 2, or 3) in the National School Lunch Program?

Answer: Yes. Free and reduced price eligibility data from schools operating under Provision 1, 2, or 3 can be used for classifying day care homes as tier I homes.

7. Question: What are the differences between Landview, the geomapping software distributed by the Census Bureau, and Maptitude, which FRAC uses?

Answer: Maptitude identifies a specific point on the map for each address that is entered, whereas Landview locates only a range of addresses (e.g. 500-600 Main Street). Therefore, in Landview, if the specific range of addresses falls on a boundary line between block groups, it is necessary for the user to move the cursor to the correct block group based on additional knowledge of the address (e.g., on which side of the street the home is located; which cross-streets are nearby). In addition, in Maptitude, the user is able to print a list containing provider names and addresses, their block groups, and whether these block groups are eligible. Landview costs about \$95 per compact disk (each disk contains data for several States); data for the entire country is about \$795. Maptitude costs approximately \$600, and is only available with data for the entire country. We continue to urge sponsors to explore all commercially available geomapping software packages to determine which is most useful in their specific circumstances.

### *Making Tier I Home Determinations*

8. Question: For the purposes of identifying and documenting the elementary school that serves a particular home, can a sponsor rely on provider self-certification?

Answer: No. Though a sponsor may ask the provider for the name of the elementary school, attendance area information must be verified with school officials.

9. Question: Can sponsors use elementary school attendance area maps or other boundary-identifying information obtained from local real estate offices?

Answer: If sponsors want to use boundary-identifying information from real estate offices, they must confirm with school officials that the information is current and correct.

10. Question: Is there a hierarchy for the methods of determining a home's eligibility as a tier I home?

Answer: A sponsor may use either area data or verified provider data to qualify a home as a tier I home. Of the two possible sources of area data, school data should be consulted first, primarily because it is more recent than census data. However, as explained in our March 10, 1997, memorandum on this issue, there are cases in which the use of census data may be acceptable as well.

11. Question: Is a sponsor required to examine all available methods (i.e., school data, census data, and provider's household income) to try to qualify a day care home as a tier I home?

Answer: There is no requirement that a sponsor examine all available methods to try to qualify a day care home as a tier I home. However, since it is appropriate to classify all day care homes that are eligible as tier I homes, we anticipate that sponsors will often choose to examine providers' household income if area data fails to establish eligibility.

12. Question: Prior to July 1, 1997, can sponsors attempting to qualify providers as tier I homes on the basis of their household income perform verification on income eligibility statements already on file for providers' children?

Answer: No. Due to the substantial benefit associated with being classified as a tier I day care home, sponsors must collect and verify new income eligibility statements from providers when attempting to classify them as tier I homes on this basis. To assist in implementation, sponsors may begin collecting income eligibility statements from providers as early as March 1, 1997. Income eligibility statements collected and verified by sponsors from March 1, 1997, through June 30, 1997, will be effective for a one-year period beginning July 1, 1997.

13. Question: Prior to July 1, 1997, for purposes of documenting the eligibility of providers' children in homes classified as tier I on the basis of area data (school or census), can sponsors

use income eligibility statements already on file for providers' children?

Answer: Yes. For providers who qualify as tier I homes on the basis of area data, sponsors may use existing income eligibility statements to determine whether providers own children are eligible for reimbursable meals. Recertification of eligibility for these children will occur whenever their one-year eligibility period expires.

14. Question: Prior to July 1, 1997, if a sponsor classifies a home as a tier I day care home on the basis of elementary school or census data, when does that classification become effective?

Answer: For purposes of implementation, a sponsor may classify a home as a tier I day care home on the basis of area data any time after March 1, 1997, provided that the State agency has approved the sponsor's management plan amendment describing its system for making tier I determinations, as required by Section 226.6(f)(2) of the interim regulation. Tier I classifications based on area data made between March 1, 1997, and June 30, 1997, are effective July 1, 1997, for a period of 3 years when based on school data, and until new census data is available when based on census data.

15. Question: After July 1, 1997, if sponsors classify a newly participating home as a tier I home after the home has begun participating in the program, when does that classification become effective?

Answer: After July 1, 1997, classification of a home as a tier I home, whether based on area data or providers' household income, may be retroactive to the first of the month, or to the first day the home operates the CACFP, during the month in which the tier I determination is made. For homes which qualify as tier I homes on the basis of the providers' household income, the month of the determination is considered to be the month in which the sponsor verifies the information on the income eligibility statement not the month in which the provider submits the information. For example, if a home begins participating in the CACFP on August 5, 1997, but the sponsor does not make tier I determination until August 25, 1997, the tier I classification is retroactive to August 5, 1997. If the sponsor had not made the determination until September 3, 1997, the tier I classification would be retroactive only to September 1, 1997; meals served in August would be paid at the tier II rates. Similarly, if a provider submits nr income eligibility statement on August 5, 1997, but the sponsor does not verify the information until September 3, 1997, only those meals served in September are eligible for tier I reimbursement.

### ***Duration of Determinations***

16. Question: Can a State agency be more restrictive by requiring that sponsoring organizations make all day care home tiering determinations on an annual basis, instead of every three years when school data is used, or until more recent census data is available when census data is used?

Answer: No. The law and regulation provide State agencies the authority to require that a particular home be reclassified if information becomes available indicating that the home is no longer in an eligible area, but do not allow for a Statewide policy requiring that sponsors

annually redetermine the tiering status of all homes, since this would be inconsistent with the clear intent of the law to minimize classification decision burdens.

### **Tier II Day Care Homes**

#### ***Length of Determinations***

17. Question: Is there a fixed length of determination for tier II day care homes?

Answer: No. A day care home is considered a tier II day care home until such time the sponsor can document its eligibility as a tier I day care home. A sponsor may reassess the eligibility of a tier II day care home at any time it feels is appropriate.

#### ***Individual Eligibility Determinations***

18. Question: When a sponsor which uses claiming percentages or blended rates for reimbursing its day care homes is collecting data to perform the required 6-month recalculation of the percentage or rate, must the sponsor distribute income eligibility statements to the households of children that were determined ineligible or did not return the form in the previous determination?

Answer: No. It is the sponsor's choice as to whether income eligibility statements are distributed to households more than once a year.

19. Question: When sponsors collect income eligibility statements from the households of children enrolled in tier II homes prior to July 1, 1997, when do these applications become effective?

Answer: For implementation purposes, income eligibility statements from the households of children enrolled in tier II homes that are collected between March 1, 1997, and June 30, 1997, are effective for a one-year period beginning July 1, 1997.

20. Question: After July 1, 1997, what is the effective date of income eligibility statements received from the households of children enrolled in tier II homes? Can the effective date be retroactive to the first day of a child's participation in a month?

Answer: Income eligibility statements submitted by the households of children enrolled in tier II homes are retroactively effective to the first day that the child participates in the month in which the eligibility determination is made by the sponsor (i.e., this is the same rule applied to tier I eligibility determinations; see Question #15 above).

21. Question: Is it permissible for sponsors to accept from a household an official letter issued by the State welfare office or school food authority as proof of a household's eligibility for free or reduced price meals? How does this differ from direct certification?

Answer: Sponsors may accept official letters issued by the State welfare office or school food authority, and submitted to the sponsor by the household, as proof of the household's eligibility for tier I rates (provided, of course, that the program in which the household participates is an identified categorically eligible program). Such letters have been permitted as evidence of categorical eligibility in the CACFP since June 22, 1992. Under a system of direct certification, which is not permitted in the interim rule, sponsoring organizations would contact the welfare office directly and submit a list of children enrolled in their day care homes. From that list, the welfare office would identify children eligible under the welfare program.

22. Question: Can a sponsor which is also a school food authority match a list of children enrolled in their day care homes with a list of those eligible for free or reduced price school meals? What about a sponsor which is also the local management agency for a subsidized child care program?

Answer: Sponsors are permitted to cross-check lists as described above as long as they already have direct access to eligibility information for the other program (e.g., school meals, subsidized child care) for other purposes. As discussed in response to Question #21 above, we do not consider this to be direct certification.

23. Question: Could a State agency prohibit sponsors from having providers distribute income eligibility statements to households of children enrolled in tier II day care homes, due to concerns about integrity?

Answer: Yes. Although Questions and Answers #, dated January 24, 1997, indicate that it is permissible for providers to distribute income eligibility statements to the households of enrolled children as long as the completed forms are returned by the households to the sponsor, it is certainly within a State's discretion to prohibit this practice, whether due to integrity or other concerns. It is also consistent with the law intent to keep providers out of the income eligibility determination process as much as possible.

24. Question: Are the following permissible under the interim regulation: (1) households of children enrolled in tier II homes returning completed income eligibility statements to the provider in a sealed envelope; and (2) sponsors informing providers which households return income eligibility statements (not divulging what those statements reveal, only whether they have been returned)?

Answer: Although we recognize that these practices may help streamline the income determination process and/or provide more precise information to providers regarding their level of reimbursement, they are not permissible under the interim regulation. The only involvement that a provider may have in the income eligibility determination process is in distributing statements to households, if the sponsor chooses to handle the process that way as discussed above. As indicated in the preamble to the interim regulation, the law is very clearly structured to provide a level of confidentiality to the households of children enrolled in tier II homes. The methods listed above may compromise that confidentiality and could negatively affect the relationship between providers and the households of children in care.

25. Question: May sponsors inform providers of the names of income-eligible and non-income-eligible children whose households sign a waiver of confidentiality on the income eligibility statement?

Answer: Because of the law's emphasis on household confidentiality, we would strongly discourage inclusion of confidentiality waivers on income eligibility statements. If a State agency distributes an eligibility statement which includes such a waiver statement, it must also include a statement informing the household that its participation in the program is not in any way dependent upon signing the waiver.

### *Meal Counting and Claiming*

26. Question: Is a State agency permitted to require that day care home providers record daily meal counts by child? If so, how does this affect the authority/ability of sponsoring organizations to choose the counting and claiming method (i.e., actual counts, claiming percentages, blended rates) for use in their mixed tier II day care homes?

Answer: State agencies may require--for licensing compliance, integrity, or other purposes--that day care home providers maintain daily meal counts by child. When a State agency imposes such a requirement, sponsoring organizations still may select either actual counts, claiming percentages, or blended rates as the method they use to reimburse mixed tier II day care homes under their sponsorship. Sponsors selecting claiming percentages or blended rates will only use total meal counts by type of meal (breakfast, lunch, supper, supplement), rather than the daily meal counts by child, to calculate a home's reimbursement. In addition, sponsors selecting claiming percentages or blended rates will not have to immediately assess the eligibility status of children newly enrolled in a home; eligibility determinations for children new to a home need only be done by the time the recalculation of the claiming percentage or blended rate is necessary, which is at least every 6 months.

27. Question: If a sponsoring organization decides to calculate claiming percentages or blended rates more frequently than every 6 months, must it perform the recalculations for all of its homes?

Answer: Yes. If a sponsoring organization recalculates claiming percentages or blended rates more frequently than every 6 months, a recalculation must be done for every home under its sponsorship with the same frequency. However, to more evenly distribute its workload over the year, a sponsoring organization may wish to establish a staggered schedule so that not all recalculations have to be made at the same time.

28. Question: The regulation permits sponsoring organizations to calculate a home's claiming percentage or blended rate based on one month's data using either an enrollment list or an attendance list. How are "enrollment" and "attendance" defined?

Answer: For the purposes of calculations made using either an attendance list or an enrollment



list, the definitions of “attendance” and “enrollment” are the same. Sponsors should consider a child in “attendance” or “enrolled” when the child: (1) is officially enrolled for care (i.e., provider has requisite paperwork); (2) is present in the home for the purpose of child care; and (3) has eaten at least one meal during the claiming period. The primary difference between attendance and enrollment lists is that attendance lists produce weighted results of participation. That is, an attendance list shows, based on either days or meals, the rate of participation of all children in the home. In contrast, on an enrollment list, a child who participates only one day during the month is counted the same as the child who participates every day during the month. [An example of each method is attached.]

29. Question: Section 226.13(d)(3) of the interim regulation requires that sponsors select one method for reimbursing all of their mixed tier II day care homes. If sponsors select claiming percentages or blended rates, must they also select one method—either attendance list or enrollment list—for calculating the claiming percentage or blended rates for all of their homes? How often can sponsors change this method?

Answer: Each sponsor must select one method, either attendance list or enrollment list, for calculating the claiming percentages or blended rates for all its homes. In order to ensure consistency with the annual selection of a reimbursement method, and to alleviate potential burden on State agency reviewers, sponsors may change their calculation method no more frequently than once a year.

30. Question: If a sponsoring organization selects claiming percentages or blended rates for reimbursing all of its mixed tier II day care homes, can a State agency mandate the use of one of the calculation methods—either attendance list or enrollment list?

Answer: No. In accordance with Section 226.13(d)(3) of the interim regulation, sponsoring organizations are permitted to select which method they use for calculating the claiming percentages or blended rates for their homes. We may consider modifying this provision in the final regulation if comments on the interim regulation warrant a change.

31. Question: For a sponsor using claiming percentages or blended rates, if a home’s enrollment does not change from one calculation to the next, must the sponsor perform a recalculation?

Answer: At least every 6 months, a sponsor must recalculate each home’s claiming percentage or blended rate. If the sponsor bases the claiming percentage or blended rate on an enrollment list, and the sponsor verifies that the home’s enrollment has not changed since the last calculation, a recalculation would not be necessary. However, it is virtually certain that changes will occur if the sponsor bases the calculation on an attendance list, which weights participation by days or meals, thereby necessitating a recalculation at least every 6 months.

32. Question: What are the rules for rounding of results when calculating claiming percentages and blended rates? Do the two methods produce different results?

Answer: Claiming percentages and blended rates should be calculated to four places and rounded to three places to the right of the decimal point. Normal rounding rules apply (i.e., round

up if value is 5 or greater; down if 4 or less). Meals are always rounded to whole numbers. An example showing calculations on the same home using actual counts, claiming percentages and blended rates is attached. As indicated in the attachment, sponsors should be aware that using blended rates may result in differences between what is paid to the sponsor by the State and what must be paid to providers. (Differences do not occur when using claiming percentages.) Over time, the differences should be inconsequential since in some months a sponsor will receive slightly more funds than necessary to pay provider claims, and in some months slightly less than needed.

33. Question: Since providers in mixed tier II homes are only permitted to know the numbers, and not the names, of income-eligible children, those providers whose sponsors select the actual counts method of reimbursement may not know the exact amount of their reimbursement each month. What assurance do providers have that their payments are correct?

Answer: When a State agency conducts a review of a sponsor, and a sample of the documentation supporting reimbursement claims is reviewed, States should be able to discover mistakes and irregularities with the sponsor's payments. Providers who believe that their payments are incorrect may also discuss the matter with the State agency. If a State agency receives repeated complaints from a sponsor's providers, it should probably conduct a special review of the sponsor.

34. Question: The interim regulation amended Section 226.6(0)(2) to require several tiering-related amendments be made to each sponsoring organization's annual management plan by April 1, 1997. In addition, Section 226.13(d)(3) permits sponsoring organizations of tier II homes to change their method of reimbursing those homes no more frequently than once a year. Since State agencies typically require that management plans be submitted by October of each year, can sponsoring organizations change their method of reimbursing tier II day care homes in the management plan submitted for fiscal year 1998?

Answer: In order to synchronize the sponsors' choice of reimbursement method with submission of annual management plans, State agencies may permit sponsoring organizations to change their method of reimbursing tier II homes (i.e., actual counts, claiming percentages, blended rates) when new management plans are submitted for fiscal year 1998. This will also provide more immediate relief to sponsoring organizations which wish to reconsider their initial choice of reimbursement method after using it in the first months after implementation.

### **Questions Pertaining to All Homes**

#### ***Income Eligibility Statements***

35. Question: Can income eligibility statements completed and submitted prior to July 1, 1997, be compared against the income eligibility guidelines which are effective July 1, 1997?

Answer: As stated in Questions and Answers #2, a sponsor should use the guidelines in effect

at the time the eligibility determination is made.

36. Question: Can a State agency impose a maximum time limit for sponsoring organizations to make tier I area eligibility determinations and to process income eligibility statements for providers, and for the households of children enrolled in tier I homes whose sponsors use actual meal counts?

Answer: In accordance with Section 226.25(b), which permits State agencies to impose additional requirements for Program participation that are not inconsistent with Federal Program regulations, a State agency may impose a time limit on sponsoring organizations for making tier I area determinations and for processing income eligibility statements. However, we believe it would be most effective for States to impose such timeframes only for those sponsors with identified problems in this area.

### ***Categorical Eligibility***

37. Question: Since use of the new “expanded” categorical eligibility is limited to households of children enrolled in tier II homes, will State agencies need to develop separate income eligibility statements for use in tier I homes and tier II homes?

Answer: As long as the State’s income eligibility statement clearly differentiates between categorical eligibility for tier I homes (i.e., food stamps, TANF, and FDPIR), and tier II homes (i.e., Federal and State programs with income criteria at or below 185 percent of poverty), one form can be used. We are developing a prototype income eligibility statement for distribution to State agencies which incorporates tier I and tier II categorical eligibility on one form.

### ***Reporting***

38. Question: What changes are being made to the FCS-44, “Report of the Child and Adult Care Food Program?”

Answer: State agencies will be required to report the following information on the FCS-44: (1) On a quarterly basis, the number of tier I day care homes, tier II day care homes (all meals claimed at tier II rates), mixed tier II mixed day care homes (meals claimed at tier I and tier II rates), and average daily attendance for each [Note: This information is collected on PART B of the FCS-44]; (2) On a monthly basis, the number of tier I meals and tier II meals (PART E of the FCS-44). In addition, in order to ensure that more accurate information is collected, the categories in PART B of the form are being changed to: (1) Sponsors of Child Care Centers Only, including independent centers; (2) Sponsors of Day Care Homes Only; (3) Sponsors of Both Child Care Centers and Day Care Homes; and (4) Sponsors/Independent Adult Care Centers.

**ENROLLMENT AND ATTENDANCE LIST EXAMPLES**

**Enrollment List**

When a sponsor elects to use an enrollment list to obtain one month’s data for calculating a home’s claiming percentage or blended rate, each provider would submit a list of all children who: (1) were enrolled for care (i.e., provider has requisite paperwork); (2) were present for the purpose of child care at least once during the month; and (3) had eaten at least one meal during the month.

In this example, the provider has 9 children enrolled for the month. The sponsor has determined that 4 of the children are income-eligible.

Tier I claiming percentage:  $4/9 = .44.44 = .444$

Tier II claiming percentage:  $1.0 - .444 = .556$

(For discussion of how to calculate blended rates, see separate attachment on “Computing Reimbursement for a Tier II Mixed Home.”)

**Attendance List**

When a sponsor elects to use an attendance list to obtain one month’s data for calculating a home’s claiming percentage or blended rate, each provider would submit an enrollment list, above, that also contains the participation by each child, measured either in days or meals. Both methods (days and meals) produce weighted results.

Child	Attendance List Based on Meals:
	Total Meals in Month (b’fast, lunch/supper, suppl)
1*	5
2*	20
3*	60
4*	32
5	10
6	54
7	50
8	42
9	10

\*children determined income-eligible by sponsor

Total Meals in Month: 283

To calculate the Tier I Claiming Percentage, divide the total number of meals served to income-eligible children by the total meals served in the month.

$$117/283 = .4134, \text{ which rounds to } .413$$

For the Tier II Claiming Percentage, subtract the Tier I Claiming Percentage from 100 percent

$$1.00 - .413 = .587$$

Attendance List Based on Days:	
Child	Total Days in Attendance in Month
1*	5
2*	20
3*	8
4*	16
5	10
6	18
7	15
8	22
9	10

\* children determined income-eligible by the sponsor

Total Days of Attendance: 124

To calculate the Tier I Claiming Percentage, divide the total number of days that income-eligible children were in attendance by the total days of attendance in the month.

$$49/124 = .3951, \text{ which rounds to } .395$$

For the Tier II Claiming Percentage, subtract the Tier I Claiming Percentage from 100 percent.

$$1.00 - .395 = .605$$

**Computing Reimbursement for a Tier II Mixed Home**

A day care home has 9 enrolled children, 4 of whom have been determined to be eligible for free or reduced price meals. A total of 180 lunches were served in the month (20 to each child). For purposes of the calculations, the tier I rate used is \$1.5 and the tier II rate is \$.95.

**Actual Counts**

	Reimburs. Rate x	Total Lunches =	Total
Income-eligible (tier I)	\$1.57 x	80 =	\$125.60
Non-income-eligible (tier II)	\$.95 x	100 =	\$95.00
<b>TOTAL</b>			<b>\$220.60</b>

The sponsor will claim 80 tier I lunches and 100 tier H lunches to the State agency on behalf of this provider.

**Claiming Percentages**

To calculate the Tier I Claiming Percentage, divide the number of income-eligible children by the total number of enrolled children. Round the result to three decimal places using standard rounding procedures (i.e., round up if value is 5 or greater; down if 4 or less). For the Tier II Claiming Percentage, subtract the (rounded) Tier I Claiming Percentage from 100 percent.

Tier I Claiming Percentage:  $4/9 = .4444 = .444$   
 Tier II Claiming Percentage:  $1.00 - .444 = .556$

	Percent x	Total Lunches	Rounded to whole meals	x Rate =	Reimburs. Amount
Tier I	.444x	180=79.92	80	x\$1.57 =	\$125.60
Tier II : Total Meals (180) - Tier I Meals (80) =		100		x \$.95 =	\$95.00
<b>TOTAL:</b>					<b>\$220.60</b>

\*The sponsor will claim 80 tier I lunches and 100 tier H lunches to the State agency on behalf of this provider.

## Blended Rates

To arrive at the blended rate, first calculate the claiming percentages as shown above. Then multiply each of the percentages by the appropriate reimbursement rate. Round to three decimal places. Add the results. This is the blended lunch rate for the home.

Percent x rate

	Percent x	Reimburs. Rate =	
Tier I	.444 x	\$1.57 =	\$.697
Tier II	.556 x	\$.95 =	\$.528
Total			\$1.225

The sponsor will multiply the claiming percentages by the total meals, as above, to arrive at the 80 tier I and 100 tier II lunches to claim to the State agency on behalf of this home. Based on the claim, the State will pay the sponsor \$220.60. \*\*

To pay the provider, the blended rate is multiplied by the total lunches served. The result is rounded to two decimal places (cents).

$$\$1.225 \times 180 = \$220.50 \text{ **}$$

\*\* Note that what the sponsor receives based on the claim submitted to the State and what the sponsor must pay the provider do not always match when using blended rates. In this example, the sponsor nets \$.10. Since money paid by the State for meal claims can only be spent for that purpose, the sponsor would keep the \$.10 to pay providers in those months when the amount received from the State is less than what the sponsor must pay the provider. Over time, these differences should balance out.