

STATE OF IOWA
IOWA DEPARTMENT OF HUMAN SERVICES
Instructions for the Medicaid Financial and Statistical Report for Private Duty Nursing and
Personal Care - EPSDT
GENERAL INSTRUCTIONS

These instructions are for use under the provisions of the Home Health Agencies, early periodic, screening, diagnosis, and treatment (EPSDT) private duty nursing and personal cares program (IAC 441 Ch 79.1(27)) that are certified as Medicaid providers by the Iowa Department of Human Services.

Forms and Submission Information: A completed financial report, form # 1728-94, is to be submitted in an electronic format approved by the Department. The acceptable Excel template is available from the Iowa Department of Human Services, website at <http://dhs.iowa.gov/ime/providers/forms>.

The annual financial report shall coincide with the fiscal year used by the agency to report federal income taxes. The financial report must be submitted to the rate setting contractor no later than the last day of the fifth calendar month after the close of the agency's reporting year. Electronic copies should be emailed to the rate setting contractor at costaudit@dhs.state.ia.us.

A signed copy of the Certification Statement (page 1 of the financial report) must also be mailed to the rate setting contractor no later than the fifth calendar month after the close of the agency's reporting year at:

Iowa Medicaid Enterprise
Attn: Provider Cost Audit
P.O. Box 36450
Des Moines, Iowa 50315

The submission shall include a working trial balance that corresponds to all financial data contained on the cost report. The working trial balance must provide sufficient detail to enable the rate setting contractor to reconcile accounts reported on the general ledger to those on the financial and statistical report.

The submission shall include a copy of the Medicare cost report that covers the most recently completed historical reporting period as submitted to the Medicare fiscal intermediary.

If the financial statements have been compiled, reviewed or audited by an outside firm, a copy of the compilation, review or audit, including notes, for the reporting period shall be included with the submission of the financial and statistical report.

A complete submission shall include all of the items identified above. Failure to submit a complete report that meets the filing requirements within the stated time shall have the current base rate reduced to 75 percent per Iowa Administrative Code 441 Chapter 79.1(27)b(5) for no longer than 3 months, after which no further payments will be made until the first day of the month after receipt of the delinquent cost report.

Refer to Criteria - Instructions Are Not Comprehensive. These instructions are not intended to be comprehensive. In completing the forms, agencies should rely on the criteria as well as other relevant rules and regulations, including generally accepted accounting principles (GAAP). Report dollar amounts as whole numbers.

CERTIFICATION

Agency Name and Address: Indicate the exact name of the agency as it appears on the state license. The physical address must be completed.

National Provider Identified (NPI): Enter the ten-digit NPI number, taxonomy, and zip+4 code used to identify the agency for Medicaid purposes. The incorrect reporting of the information can delay the review process.

County: Report the county in which the agency is physically located.

Period of Report: Indicate the beginning and ending dates of the financial and statistical data as MM/DD/YYYY.

Date of Fiscal Year End: Enter the ending date for your fiscal year.

Report Type: Indicate if you are completing an annual financial and statistical report or a projected financial and statistical report for new agencies.

Independent Audit: Indicate if the agency had a certified public accounting firm perform an audit of its financial statements. Indicate the fiscal year of the most recently completed audit ending and forward a copy of the latest independent audit to the Department. If not complete, indicate the expected completion date of the audit for the current cost reported period.

Type of Control: Indicate the ownership or organization type under which the agency is operated.

Accounting Basis for Financial Reporting: Indicate the basis which you keep your books.

- ◆ Accrual: Recording revenue when earned and expense when incurred.
- ◆ Modified Cash: Combination of certain cash and accrual method of accounting.
- ◆ Cash: Recording revenue when received and expenses when paid.

Accounting Basis for Financial and Statistical Report: Indicate the basis which was used to complete this financial and statistical report.

- ◆ Accrual: Recording revenue when earned and expenses when incurred.
- ◆ Modified Cash: Combination of certain cash and accrual method of accounting.
- ◆ Cash: Recording revenue when received and expenses when paid.

Federal ID Number (TIN): Enter your federal nine digit taxpayer identification number utilized for submitting you tax returns to the Internal Revenue Service as XXXXXXXXX.

Certification Statement: After adequate review of the completed form, an authorized officer of the agency must sign on the certification statement. Review of the financial and statistical report may not be finalized without the signed certification page. If a paid preparer is utilized to complete the forms, name and company name of preparer must also be reported. Also indicate who should be contacted with questions related to the data in the cost report.

STATISTICAL DATA

Total number of units of service provided: Enter the appropriate number of units for the reporting period for each procedure code.

Total number of units of service provided for: Enter the split of services provided between Iowa Medicaid members and other clients. This should total the number of units reported on line 3.

SCHEDULE A – TOTAL FACILITY REVENUE

Schedule A is to report revenues as recorded in the general books and records. Routine and ancillary revenues from all payor sources should be reported on the appropriate lines and columns. Report total agency income and show detailed income from specific services and programs.

Column (1) Total should be the sum of revenue for a particular line. Columns (3) and (4) are to report the revenue from EPSDT Services and Other Programs. Cost recoveries that are a credit to cost accounts should not be reclassified as revenues for purposes of this report.

Fees for services represent income earned as a result of performing services to or for members. The fees might be paid by third parties on behalf of members for whom services were performed.

Revenue from ancillary services shall be applied in reduction of the related expense. Revenue from the sale of medical supplies, food or services to employees shall be applied in reduction of the related expense. Investment income adjustment is necessary only when interest expense is realized, and only to the extent of the interest expense. Accounts receivable charged off or provision for uncollectible accounts shall be reported as a deduction from gross revenue.

The amounts entered on Schedule A, Column 4, should be reported on Schedule C1, Column 2. The totals of these columns on both schedules should agree.

Classify revenue from members sufficiently in the accounting records to allow preparation of the schedule. Routine daily service revenue should be reported in the appropriate lines as gross revenue by primary payor source (i.e., if the primary payer is Medicare and the Medicaid programs pay for co-insurance, then the gross routine service revenue should be reported in the Medicare column). It is essential that "routine daily service" represent only the established usual and customary charge, excluding additional charges for other services, if any.

Pharmacy, Laboratory and X-Ray Items: Approved legend drugs requiring a prescription by law and insulin are paid for directly by Medicaid. Costs of laboratory and x-ray services are paid for directly by Medicaid. These items must be billed by and paid to a Medicaid enrolled provider.

Occupational Therapy, Physical Therapy, Speech Therapy and Respiratory Therapy: Therapy revenue should be reported in the appropriate column.

Other Revenues: Residents may choose to purchase personal needs items through the agency. Revenues from these items must offset the related costs account.

SCHEDULE B - SALARY INFORMATION BY FUNCTION

Schedule B is to report the number of staff and wages of staff by job duty.

Job Classification: All personnel must be separated into the following job classifications based on the duties performed:

- 2110 Administrative Management
- 2120 Direct Care Supervision
- 2130 Direct Care
- 2140 Business Office / Clerical
- 2150 Other Staff

Total Number of Staff: Enter the number of people working full time or part time.

Gross Salaries and Wages: Enter the gross wages for all full-time and part-time staff for each job duty. Make sure the salaries and wages correspond with the respective salary lines on Schedule C1 (lines 2110 – 2150). (In the electronic version of these forms, this link is automatic.)

Agencies are required to maintain supporting documentation identifying the number, type of staff, and Full Time Equivalents (FTE) devoted to EPSDT services. If staff is responsible for multiple programs or services acceptable documentation as stated below must be kept to support allocations.

ALLOCATIONS

If costs are allocated between programs or services, the method to allocate must be disclosed on a supporting schedule. Any allocation methodology can be used if an agency can demonstrate the statistics used are the most accurate for that cost. Allocation base for each program should be reported in Column (2) of Schedule A and Column (5) of Schedule C1.

Any allocation method used must be objective and supported by clear and reviewable documentation. Support for any statistics used must be made available to the IME Provider Cost Audit and Rate Setting Unit, upon request.

- 1) Revenue and estimates are not valid allocation methodologies.
- 2) Number of members is not a valid allocation methodology as it does not account for member acuity.
- 3) Any changes in allocation methodology must be explained. The explanation should include how the new methodology is a more accurate reflection of program costs. Allocation methodology changes cannot occur more than every three years.
- 4) If a percent of time is used to allocate costs, the following applies:
Periodic time studies, in lieu of ongoing time reports, may be used to allocate direct salary and wage costs. However, the time studies used must meet the following criteria:
 1. A minimally acceptable time study must encompass at least one full week per month of the cost reporting period.
 2. Each week selected must be a full work week (Monday to Friday, Monday to Saturday, or Sunday to Saturday), as applicable.
 3. The weeks selected must be equally distributed among the months in the cost reporting period, e.g., for a 12 month period, 3 of the 12 weeks in the study must be the 1st week beginning in the month, 3 weeks the 2nd week beginning in the month, 3 weeks the 3rd, and 3 weeks the 4th.
 4. No two consecutive months may use the same week for the study, e.g., if the second week beginning in March is the study week for March, the weeks selected for February and April may not be the second week beginning in those months.

5. A time study conducted in the current cost reporting year may not be used to allocate the costs of prior or subsequent cost reporting years.
6. The time study must be agency specific. Thus, chain organizations may not use a time study from one agency to allocate the costs of another agency or a time study of a sample group of agencies to allocate the costs of all agencies within the chain.

SCHEDULE C1 – Identification of Total Costs to Program

All cost carried on the agency's general ledger must be entered in Column 1. Column 2 and 3 (Adjustment of Costs) reflect adjustments from Schedule A and E for items which are not allowable as costs of providing care to Medicaid members. Cost adjustments that are a reduction to cost should be input as a negative amount. Column 4 must reflect costs related to providing care to Medicaid members.

When an agency provides services of multiple programs, costs must be allocated to each program. Column 5 reflects the allocation method used allocate costs to each of the programs in columns 6 and 7. Column 8 is used to check that the total costs allocated to the individual program columns matches the total costs identified in column 4.

The following is a description of each line of Schedule C1.

LINES 2110 – 2150: Employee Salaries – Cost of the agency's respective staff including regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation cost for the reporting period.

LINES 2205 – 2225: Healthcare benefits / premiums – Cost of employer portion of health, dental and vision insurance benefits and premiums for employees included on lines 2110 – 2150.

LINES 2240 – 2260: Retirement Benefits – Cost of employer contributions to defined retirement plans for employees included on lines 2110 – 2150.

LINES 2270 – 2290: Other Benefits - Cost of employer portion of life insurance and any benefits not described above for employees included on lines 2110 – 2150.

LINES 2305 – 2325: FICA - Employer portion of Federal Insurance Contributions Act (FICA) used to fund Social Security and Medicare associated with salaries and wages included in lines 2110 – 2150.

LINES 2340 – 2360: Unemployment - Federal and State unemployment tax (insurance) associated with salaries and wages included in lines 2110 – 2150.

LINES 2370 – 2390: Worker's Comp - Worker's compensation insurance costs associate with salaries and wages in lines 2110 – 2150.

LINE 2410: Background Checks - Costs associated with conducting criminal record checks for positions included in lines 2110 – 2150.

LINE 2420: Professional Organizational Dues - Costs of dues for belonging to a professional organization, including facility associations and professional organizations of all staff. Any parts of the dues that are classified by the association or organization designated as lobbying should be adjusted in Column 3 and reported on line 2440.

LINE 2430: Lobbying Fees - Costs paid to or designated by any person, association or organization for the purpose of influencing federal, state or local government officials. These costs should be adjusted in Column 3 and reported on Schedule E as they are not considered allowable for reimbursement purposes.

SCHEDULE C1 – Identification of Total Costs to Program

LINE 2440: Management Fees - Costs for professional fees paid to a management company of an agency. The agency should have a management agreement to support the costs reported.

LINE 2450: Accounting and Auditing - Costs for services rendered by a contracted vendor for processing payroll, general financial record keeping, preparation of financial statements, tax returns and preparation of financial and statistical reports (Medicare, Medicaid, County, etc). Wages should be reported on Line 2140 if these are employees of the facility.

LINE 2460: Attorney's Fees - Direct Patient Care Related: Costs for services rendered for legal consultation directly related to patient care. Admin and Judicial Proceedings:

Costs for services rendered by a contracted vendor related to legal fees, expert witnesses, accounting fees and other consulting fees incurred in an administrative or judicial proceeding.

For any reported allowable costs, copies of the paid invoices, complaint or judgment indicating when incurred and when paid and a summary of hours and hourly rates paid are required to be submitted.

LINE 2470: Information Technology - Costs or fees for services rendered by a contracted vendor for performing computer maintenance, software licensing and technical consultation.

LINE 2480: Claims Processing - Costs for services rendered by a contracted vendor for submitting claims for payment. Wages should be reported on Line 2140 if this is an employee of the facility.

LINE 2490: Other Non-Medical - This line is for any miscellaneous administrative costs that do not fit the definitions of the lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

LINE 2510: Equipment Lease / Rental – Administrative – Rental cost of equipment used to support administrative services.

LINE 2520: Small Equipment Purchases – Administrative – Costs related to the purchase of small equipment that is used to support administrative services, that does not meet the depreciation guidelines. (Example: copy machines).

LINE 2530: Equipment Repairs – Administrative - Costs related to equipment service agreements and to repairing agency equipment that is used to support administrative services.

LINE 2610: Office Supplies - Costs related to small, expendable, daily use office supplies.

LINE 2620: Non-routine Medical Supplies - Costs of medical supplies that are identifiable to individual members. Non-routine supplies are usually furnished at the direction of the member's physician and are included in the member's case plan. Durable medical equipment (DME) is not included.

LINE 2630: Routine Supplies - Costs of medical supplies that are customarily used to provide patient care services. Routine supplies are usually not designated for a specific member.

LINE 2640: Other Supplies - This line is for any miscellaneous supply costs that do not fit the definitions of the lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

LINE 2700: Telecommunications - Costs for telephone, cellular, internet and paging services.

SCHEDULE C1 – Identification of Total Costs to Program

LINE 2810: Rent of Space / Lease of Office - Rent costs for lease of the office only. Include costs related to rental of facility equipment on the equipment rental lines of the other sections. Refer to the Provider Reimbursement Manual to determine the proper reporting and limiting of lease cost. Any related party transactions should be reported on Schedule G.

LINE 2820: Building & Grounds Care, Supplies & Maintenance - Costs for care, supplies and repair of the agency's building and grounds.

LINE 2830: Utilities - Electricity, gas, water, sewer, and other agency utility costs.

LINE 2840: Property Interest Cost - Cost of interest paid on property and improvement loans for the agency and capital assets. Interest paid to a related party is not allowable. Interest cost should be reduced in Column 2 by realized investment income reported on Schedule A, except where the income is from gifts and grants whether restricted or unrestricted, and which are held separate and not commingled with other funds.

LINE 2850: Property Insurance & Property Taxes - Property taxes and property casualty insurance on the agency buildings and equipment.

LINE 2860: Other Occupancy Cost - This line is for miscellaneous occupancy costs that do not fit the definitions of the lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

LINE 2910: Yellow Page & Employee Advertising - Costs of advertising for hiring of open positions and the reasonable cost of a standard listing in the local yellow pages.

LINE 2920: Entertainment - Costs of entertainment, including tickets to sporting or other events, alcoholic beverages, golf outings, ski trips, cruises, professional musicians or other entertainers, are not allowable and should be removed via a Schedule E adjustment. Costs incurred by an agency for purposes of employee morale, specifically, for an annual employee picnic, an annual Christmas or holiday party, an annual employee award ceremony or for sponsorship of employee athletic programs (bowling, softball, basketball teams, etc.), are allowable to the extent that they are reasonable.

LINE 2930: Fundraising, Marketing and Advertising - . Advertising are those costs associated with developing advertising media, including magazines, newspapers, radio and television, direct mail, exhibits, electronic transmittals, etc. Public relations means those activities dedicated to maintaining the image of the company or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. Marketing includes activities that steer, or attempt to steer, a member to use services offered by the agency. Fundraising are those costs associated with the organized activity of raising funds for the agency. These are not an allowable cost and should be removed in Column 3 and reported on Schedule E.

Salaries and wages for advertising, public relations, fundraising, marketing positions and contracted vendors reported on other lines of Schedule C1 also need to be removed in Column 3 and reported on Schedule E.

SCHEDULE C1 – Identification of Total Costs to Program

LINE 3010: Staff Mileage – Cost of mileage for the use of a personal vehicle. Mileage paid above the state maximum, personal travel and commuter travel are not allowable costs and should be removed in Column 3 and reported on Schedule E.

Mileage costs for travel to and from the members residence is allowable. If a staff member goes between their personal residence and the member's residence, the maximum allowable mileage would be from the main office to the member's residence minus the mileage from the staff residence to the main office.

If vehicles are used for multiple programs or services mileage logs or other acceptable documentation must be kept to support allocations.

LINE 3020: Vehicle Lease – Lease costs of any vehicle leased by the agency.

LINE 3030: Vehicle Insurance – Cost of insurance for agency vehicles.

LINE 3040: Fuel and Maintenance – Costs of fuel and maintenance for agency vehicles.

LINE 3050: Other Agency Transportation - Use this line for any miscellaneous agency vehicle cost that does not fit the definitions of the lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

LINE 3110: Staff Development & Training Administrative - Costs of training seminars and courses, such as registration fees, course materials etc. for administrative duties.

LINE 3120: Staff Development & Training Specific Member - Costs of training seminars and courses related to the education into needs of a specific member, such as registration fees, course materials etc.

LINE 3130: Staff Development & Training Direct Care – Costs of training seminars and courses, such as registration fees, course materials etc. for direct care duties.

LINE 3140: Staff Development & Training – travel and lodging - All travel and lodging costs associated with the attendance of development and trainings. Any mileage paid above the state maximum is not an allowable cost and should be removed in Column 3 and reported on Schedule E.

LINE 3150: Annual Meeting & Bus. Conference - Costs related to association business meetings, limited to individual members of the association who are members of a national affiliate, and costs associated with workshops, symposiums, and meetings which provide administrators or department heads with hourly credits required to comply with continuing education requirements for licensing, are allowable costs.

LINE 3310: Vehicles – Depreciation cost for vehicles owned by the agency.

LINE 3320: Equipment - Depreciation cost for equipment owned by the agency.

LINE 3330: Building and Leaseholds – Depreciation cost for buildings owned by the agency. Cost for any agency leaseholds improvement to property.

LINE 3410: Liability Insurance - Costs of general liability insurance.

LINE 3420: Working Capital Interest Cost - Cost of interest paid on a line-of-credit or loan to pay for services related to patient care. Interest cost should be reduced in Column 2 by realized investment income except where the income is from gifts and grants whether restricted or unrestricted, and which are held separate and commingled with other funds.

SCHEDULE C1 – Identification of Total Costs to Program

LINE 3430: Amortization - Amortization costs for the facility on leasehold improvements, startup costs, etc.

LINE 3440: Other Miscellaneous - Use this line for any miscellaneous agency cost that does not fit the definitions of any lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

LINE 3500: Home Office Costs - Costs directly related to those services performed for individual providers which relate to patient care, plus an appropriate share of indirect costs (overhead, rent for home office space, administrative salaries, etc.) are allowable to the extent they are reasonable. Home office costs that are not otherwise allowable costs when incurred directly by the provider cannot be allowable as home office costs to be allocated to providers.

A home office provides essential services, typically administrative in nature. Agencies with a home office must annually provide a name of the home office and the Medicare ID for the home office. All lines on which costs from the home office are reported on Schedule C need to be disclosed (see Declaration). The relationship of the home office must be disclosed on schedule G (see specific instructions).

Home offices must also provide a cost statement, including allocations to the individual facilities. The cost statement and allocation calculations should identify specific information about costs on the facility's cost report, including but not limited to compliance, limitations and unallowable costs.

LINE 3610: Non-working Officers' Salaries - Salaries and wages paid to officers who did not work at the facility. These costs are not reimbursable and should be removed in Column 3 and reported on Schedule E.

LINE 3620: Contributions / Donations - Contributions or donations, including but not limited to cash, property, and services, made by the agency, regardless of the recipient. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

LINE 3630: Officer's Life Insurance - Costs to maintain a key man insurance policy on an officer or administrator where the facility is the beneficiary. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E. See instructions for line 2270-2290 for instructions for reporting officer / owner life insurance.

In general, premiums related to insurance on the lives of owner(s), officer(s), or key employee(s), where the agency is a direct or indirect beneficiary, are not allowable costs. An agency is a direct beneficiary where, upon the death of the insured individual, the insurance proceeds are payable directly to the agency. An agency is an indirect beneficiary when another party receives the proceeds of a policy through an assignment by the agency to the party, or other legal mechanism but the agency benefits from the payment of the proceeds to the third party.

An exception to these requirements is permitted where:

- (1) A agency as a requirement of a lending institution must purchase insurance on the life of an owner(s), officer(s), or key employee(s) to guarantee the outstanding loan balance.
- (2) The lending institution must be designated as the beneficiary of the insurance policy, and
- (3) Upon the death of the insured, the proceeds will be used to pay off the balance of the loan.

SCHEDULE C1 – Identification of Total Costs to Program

Premiums related to insurance on the lives of owner(s), officer(s), and key employee(s) where the individual relative(s) or his/her estate is the beneficiary, are considered to be compensation to the individual and are allowable costs to the extent such total compensation is reasonable.

LINE 3640: Income Taxes - Income tax cost incurred during the period. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

LINE 3650: Bad Debts - Costs, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

LINE 3660: Penalties, fines or interest - Costs of penalties, fines or interest imposed by federal, state or local agencies or for non-sufficient funds or delinquent payments. These costs are not reimbursable, removed in Column 3 and reported on Schedule E.

LINE 3670: Board of Director Fees - Fees incurred for the board of directors. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

Schedule C2 - Identification of Costs to Procedure Code

Costs allocated to Schedule C1 column 6, EPSDT Program Cost, will equal Schedule C2 column 1, Identifiable Program Costs from Sch. C1. These costs will then be allocated to the procedure codes T1000, S9123, S9124, and S9122 (column 2 & 3) for the rate calculation.

Costs that are allocated between programs or services, the method to allocate must be disclosed in Column 5. Any allocation method used must be objective and supported by clear and reviewable documentation. Support for any statistics used must be made available to the IME Provider Cost Audit and Rate Setting Unit, upon request. Revenues and estimates are not allowed allocation methods.

SCHEDULE D – DEPRECIATION AND AMORTIZATION COST

Assets that an agency has an economic interest through ownership are subject to depreciation. Generally, depreciation is allowable when required in the regular course of providing services. Assets which an agency is using under a regular lease arrangement would not be subject to depreciation by the agency.

An asset is considered donated when the agency acquires the asset without making any payment for it in the form of cash, property, or services. Depreciation for a donated asset is not an allowable cost for reimbursement, and should be removed in Column 3 and reported on Schedule E.

When the agency makes any payment in acquiring the asset, and if the payment is less than the fair market value, then this payment, and not the fair market value, is considered to be the historical cost of the asset. If an asset is exchanged for new debt or the assumption of debt, then the transaction is considered a sale and not a donation.

Depreciation must be adequately supported by the agency's accounting records. For reporting purposes, an agency may maintain supplementary records apart from formal records, but in a manner similar to that used in maintaining formal records. Appropriate recording of depreciation requires the identification of the depreciable assets in use, the assets' historical costs (or fair market value or net book value, as appropriate, at the time of donation in the case of donated assets), the assets' dates of acquisition, the method of depreciation, estimated useful lives, and the assets' accumulated depreciation.

SCHEDULE D – DEPRECIATION AND AMORTIZATION COST

Historical cost is the cost incurred by the present owner in acquiring the asset and preparing it for use. Generally such cost includes costs that are capitalized under generally accepted accounting principles. For example, in addition to the purchase price, historical cost includes architectural fees, consulting fees, and related legal fees.

The estimated useful life of an asset is its expected useful life to the agency, not necessarily the inherent useful or physical life. In initially selecting a proper useful life for computing depreciation, the agency shall use the current edition of the American Hospital Association (AHA) Estimated Useful Lives of Depreciable Hospital Assets.

If a depreciable asset has at the time of its acquisition an estimated useful life of at least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the estimated useful life of the asset using the straight line method of depreciation. The agency may establish a capitalization policy with lower minimum criteria, but under no circumstances may the above minimum limits be exceeded. For example, an agency may elect to capitalize all assets with an estimated useful life of at least 18 months and a historical cost of at least \$4,000. However, it may not elect to capitalize only those assets with a useful life of at least 3 years and a historical cost of more than \$6,000.

When items are purchased as an integrated system, all items must be considered as a single asset when applying the capitalization threshold. Items that have a standalone functional capability may be considered on an item-by-item basis. For example, an integrated system of office furniture (interlocking panels, desk tops that are supported by locking into panels) must be considered as a single asset when applying the threshold. Standalone office furniture (e.g., chairs, free standing desks) will be considered on an item-by-item basis.

A detailed depreciation / fixed asset listing should be submitted with this schedule. This listing must include all assets, historical cost, salvage value, date asset was placed into service, date assets was retired, depreciable life, accumulated depreciation and current year depreciation figured on straight line method.

Column Description

COLUMN 1: Construction in Process - Costs associated with construction in process and are not yet in service. Once the construction is completed and the asset is placed into service the cost will be reported in Column 2 and begin depreciating. No depreciation is allowed until the asset is placed into service.

COLUMN 2: Beginning Historical Basis Asset Costs - Historical cost of obtaining or constructing the asset.

COLUMN 3: Purchases during period - Historical cost of obtaining or constructing the asset subsequent to the change of ownership. This must not include other acquisition costs of the new owner such as legal fees, accounting and administrative costs, travel costs, and the costs of feasibility studies attributable to the negotiation or settlement of the sale or purchase of the property.

COLUMN 4: Disposals during period - Record the book value of all assets that were disposed of during the cost report period.

COLUMN 5: Ending Historical basis - Represents the sum of Column (2) plus Column (3) subtract Column 4

COLUMN 6: Accumulated Straight Line Depreciation Allowable Reported in Prior Years - Accumulated depreciation cost at the beginning of the reporting period. Please reconcile amounts reported in this column to the prior year column 6 plus the amounts reported in prior year column 8 – Recorded Depreciation Cost. If these amounts do not reconcile provide a reconciliation showing the difference on Supporting Schedule (1) or (2).

SCHEDULE D – DEPRECIATION AND AMORTIZATION COST

COLUMN 7: Straight Line Useful Life - The useful life from the AHA in the year of acquisition.

COLUMN 8: Straight Line Depreciation Current Period - Depreciation cost reported on the straight line method using the useful life from the AHA in the year of acquisition.

COLUMN 9: Book Method - The method utilized for depreciating assets per the agency's books. Examples include, Straight Line, Declining Balance, MACRS, and Sum of Year Digits.

COLUMN 10: Book Annual Rate % - The annual percentage of depreciation cost utilizing the depreciation methodology described in column 4. If assets reported on each line have multiple percentages, use a weighted average of the percentages.

COLUMN 11: Book Depreciation Expense - Recorded depreciation expense for the report period per the agency's books.

COLUMN 12: Accumulated Book Depreciation End of Period - Recorded accumulated depreciation expense for the report period per the agency's books.

SCHEDULE E – COST ADJUSTMENTS

Certain costs that are not normally incurred in providing member care shall be eliminated or limited in accordance with Iowa Administrative Code, Medicare cost principles published in Centers for Medicare and Medicaid Services Publication §15-1, and the Office of Management and Budget Omni Circular. Costs, including but not limited to the following, that must be eliminated or limited because they are not normally incurred in providing member care are listed below. Refer to the Provider Reimbursement Manual and Iowa Administrative Code to determine the proper reporting of certain costs.

- Federal and state income taxes
- Fees paid directors and nonworking officers' salaries
- Donations
- Fund-raising
- Insurance premiums on life of officer / owner (allowable under certain circumstances)
- Lobbying
- Bad debts
- Penalties, fines, delinquent payment fees
- Related party compensation (see schedule G)
- Related party payments (see schedule G)
- Marketing and Advertising
- Depreciation
- Interest
- Personal travel and entertainment
- Cost of services for other programs

Reason for Adjustment: Give a brief explanation as to why the cost is being removed.

Amount to be adjusted: Report the amount of the unallowable cost that has been removed from the appropriate program. The amount to be adjusted should match Schedule C1 column 3, Adjustments (From Sch E).

Allocation Basis: Identify how the unallowable amount is to be allocated to the different programs.

Sch C1 Line No.: Indicate which line on Schedule C1 the adjustment applies to.

Sch C1 Column No.: Indicate which column on Schedule C1 the adjustment applies to.

T1000, S9122 and Other Program: Indicate how much of the adjustment applies to each.

SCHEDULE F – COMPARATIVE BALANCE SHEET

Report balance sheet information on Schedule F. Account balances should be reported as of the beginning and end of the financial reporting period. In most cases, the beginning of period balances should agree with the end of period balances from the prior year financial report. General ledger account balances should be summarized on the lines of Schedule E that best describe the nature of the accounts. It is essential that general ledger accounts are summarized on Schedule E in a consistent manner.

SCHEDULE G – RELATED PARTY TRANSACTIONS

Related Party Compensation

COLUMN 1: Name of individual owners or related party in agency - Identify any individual or entity having an ownership interest, regardless if the owner receives any compensation or payments.

Where a non-profit operates or has an interest in an entity, the non-profit is considered to have influence over the operations. Any person sitting on the board of directors of the non-profit will be considered an owner.

Where a trust operates or has interest in an entity, the trust is considered to have influence over the operations. Any person designated as a settler or grantor of the trust, a trustee, or a beneficiary of the trust will be considered an owner.

Also, identify any individual receiving compensation that is considered a related party. The following persons are considered related parties for program purposes: (1) husband and wife, (2) natural parent, child and sibling, (3) adopted child and adoptive parent, (4) step-parent, step-child, step-sister, and step-brother, (5) father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, and daughter-in-law, (6) grandparent and grandchild and (7) domestic partners.

COLUMN 2: Position/Role – Indicate what position or role the related party has in the agency.

COLUMN 3: % of Work Week Devoted to Business - The percent of time the individual identified in Column 1 devotes to this entity (all programs), based on a work week of 40 hours. Do not put more than 100% if more than 40 hours are worked each week.

COLUMN 4: Salaries and Wages - Total amount of wages and salaries paid to the individual identified in Column 1. Items that should be reported are those that are reflected on IRS Form W-2, Wage and Tax Statement, and include, but are not limited to, salaries, wages, and fringe benefits, the cost of assets and services received, and deferred compensation. Fringe benefits shall include, but are not limited to, costs of leave, employee insurance, pensions and unemployment plans. If the agency's fiscal year end does not correlate to the period of the W-2, a reconciliation between the latest issued W-2 and current compensation shall be required to be disclosed to the Iowa Medicaid Enterprise provider cost audit and rate setting unit.

If the wage or salary benefits multiple programs or is paid for multiple job duties, please provide on Supporting Schedule (1) or (2) the method of how the costs are assigned to the various columns or lines. If costs are not directly assigned to a program, costs may be allocated. Costs should be allocated based on accumulated costs. A different allocation methodology can be used if an agency can demonstrate the statistics used are more accurate for that cost. The change should not result in inappropriate shifting of costs. Any allocation method used must be objective and supported by clear and reviewable documentation. Any statistics used must be made available to the IME Provider Cost Audit and Rate Setting Unit upon request.

COLUMN 5: Line on Sch B on which salaries are reported - Indicate in which salary category on Sch B the related party salaries have been reported.

COLUMN 6: % Ownership in agency – Include the percent of ownership attributed of those identified in Column 1. If none, enter 0%.

SCHEDULE G – RELATED PARTY TRANSACTIONS

COLUMN 7: Type of Relationship – Indicate whether the related party is an owner or if related to the owner, indicate the relationship to the owner.

Payments for Services and Supplies to Related Parties

COLUMN 8: Name of Related Entity or Individual - Identify any entity that the facility conducts business with that is related through relationship, ownership or control, but not limited to owners and related persons described above.

COLUMN 9: Type of Service or Supply - Describe the service or supply that has been obtained by the entity.

COLUMN 10: Type of Relationship - Indicate the relationship of the entities, common ownership, common control, family relationship, etc.

COLUMN 11: Amount of Related Party Cost - Report the amount of cost incurred by the related party entity identified in Column 10.

COLUMN 12: Amount Paid to related party by agency - Report the total amount paid to the related entity identified in Column 1 by the agency.

COLUMN 13: Amount reported on cost report - Report the total amount reported on Schedule C1.

COLUMN 14: Line on Sch C1 where the expenses are reported - Indicate the line number on Schedule C1 in which the costs to related entity has been reported.

Costs applicable to services or supplies furnished by a related party or organization are a reimbursable cost when included at the lesser of the amount actually paid or the cost to the related party or organization.