

## STATE OF IOWA

### IOWA DEPARTMENT OF HUMAN SERVICES DIVISION OF MEDICAL SERVICES

#### Instructions for the Medicaid Financial and Statistical Report for Nursing Facilities

#### GENERAL INSTRUCTIONS

These instructions are for use under the provisions of the rate setting criteria for nursing facilities (441 IAC 81) that are certified as Medicaid providers by the State of Iowa, Department of Human Services, Division of Medical Services.

**Forms and Information** Completed financial reports are to be submitted in an electronic format using the State approved Excel template. The Excel template is available from the Iowa Department of Human Services, Division of Medical Services website at [www.dhs.state.ia.us](http://www.dhs.state.ia.us). To access the Excel template from the website use the pull down menu under Organization and select Policy Analysis. From the Policy Analysis screen select Policy Manuals. Under Policy Manuals select Medicaid Provider Manuals and then select Institutional Care. Under Institutional Care select Financial and Statistical Report, Form 470-0030FSR. The financial report should be filed annually for a 12-month period ending with the facility's fiscal year end. The financial report must be submitted to the rate setting contractor no later than three months after the close of the facility's established fiscal year. A signed copy of the Certification Statement (page 1 of the financial report) must also be mailed to the rate setting contractor prior to the due date. Electronic files can be sent by e-mail to the rate setting contractor at [costaudit@dhs.state.ia.us](mailto:costaudit@dhs.state.ia.us) or they can be submitted on diskette to:

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

**Refer to Criteria - Instructions Are Not Comprehensive.** These instructions are not intended to be comprehensive. In completing the forms, providers 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, per diem, monthly rental rates and hourly amounts using two decimal places.

**CERTIFICATION PAGE 1 Provider Name and Identification Data**

[11101] and [12102] through [12105] Facility Name and Address Indicate the exact name of the facility as it appears on the state license. The physical address must be completed.

[11201] Federal ID Number Enter your federal nine digit taxpayer identification number utilized for submitting you tax returns to the Internal Revenue Service as XXXXXXXXXX.

[13101] and [13102] Period of Report Indicate the beginning and ending dates of the financial and statistical data as MM/DD/YYYY.

[12110] County Report the county in which the facility is physically located.

[14101] Date Facility Entered Program Enter the date the facility first received licensed approval to participate in the Medicaid Program as MM/DD/YYYY.

[14102] Date Owner Acquired Facility Enter the date the facility was acquired by the current owner/operator of the facility as MM/DD/YYYY.

[14120] FYE Report the facilities fiscal year end for tax reporting purposes as MM/DD.

[15101] Type of Control Indicate the ownership or organization type under which the facility is operated. (Check one only)

[16101] Vendor Number Enter the seven-digit number assigned to the facility by the Department of Human Services. Facilities that offer more than one level of care should report the vendor number for each level of care. It is very important that the provider's vendor number be stated correctly on the proper line by program type. The incorrect reporting of a vendor number can delay the review process.

Certification Statement After adequate review of the completed form, an authorized officer of the facility must be reported on the certification statement. If a paid preparer is utilized to complete the forms, name and company name of preparer must also be reported. Indicate in question [17101] if an opinion of a certified public accountant is attached.

**CERTIFICATION PAGE 2 Accounting Basis, Statistical and Ownership Data**

[18101] Accounting Basis Indicate which accounting basis is used by the facility by selecting the applicable method. The three methods are described as follows:

Accrual: Recording revenue when earned and expenses when incurred.

Modified Cash: Recording revenue when received and expenses when incurred.

Cash: Recording revenue when received and expenses when paid, after giving effect to adjustments for asset purchases, etc. and depreciation.

If you do not use the accrual basis of accounting, you must adjust recorded amounts to the accrual basis. This is necessary to obtain information that is comparable among facilities.

For example, when expenses are incurred in the last month of a reporting period but are paid in the first month of the following reporting period, include them in the report period in which they are incurred, and not the report period in which they are paid.

Include expenses that pertain to a whole year (such as dues, property taxes, insurance premiums, professional fees, and similar items). Take and price inventories of supplies and adjust expense accounts at the end of each reporting period.

[19101] Statistical Data Line 1 - NF must include all authorized licensed Medicaid, Medicare certified, and dual licensed Medicare/Medicaid nursing facility beds. This would include all beds on which MDS transmissions are required. Non-authorized licensed comprehensive care nursing facility beds in which MDS transmissions have been completed and submitted must be reported on Line 1 - NF. All other beds must be reported on Lines 2 through 6 in the appropriate type of service. This would include all beds on which MDS transmissions are not required. Non-authorized licensed comprehensive care nursing facility beds in which MDS transmissions have not been submitted must be reported on Line 6 - Other. All data reported in the financial report must be consistent with the number of beds reported in the Statistical Data.

Number of Authorized Beds Start of Period Report the number of authorized licensed beds at the beginning of the reporting period for each type of service.

Number of Authorized Beds End of Period Report the number of authorized licensed beds at the end of the reporting period for each type of service.

Total Bed Days in Reporting Period Total bed days available should equal the number of beds reported multiplied by the number of days in the reporting period.

Patient Days in Reporting Period The number of patient days should be based on census logs maintained by the provider. A "patient day" is that period of service rendered a resident based on the census of patient status at midnight at the end of each day. It is essential that this statistic be accurate and not an estimate of days of care provided.

Maintain a daily census summary to ensure the needed statistical accuracy. This summary must show the resident count at the beginning of the day, admissions, discharges, and resident count at the end of the day.

The Total Column 4 must include all private-pay and public assistance residents occupying a bed or paying for reserve bed days in the facility during the reporting period. Include the day of discharge only when the resident was admitted the same day.

The Medicaid Column 5 must include all Medicaid residents occupying a bed or paying for reserve bed days in the facility during the reporting period. Include the day of discharge only when the resident was admitted the same day.

Number of Admissions Report the number of resident admissions for the reporting period from the daily census summaries.

Number of Discharges Report the number of resident discharges for the reporting period from the daily census summaries.

Questions [20101] and [20102] Indicate whether the facility has an assisted living grant or CCDI unit by selecting yes or no to each question.

[21101] Ownership Information Enter complete and accurate ownership information, including all individuals holding a five percent or greater interest. Include the owners' name, percentage of work week the owner devoted to business for the facility during the reporting period, Owners' Title, Owners' Salaries and Wages expense for the reporting period, Owners' Social Security Number, and Owners' Percentage Ownership in the facility.

## **SCHEDULE A – TOTAL FACILITY REVENUE**

List revenues as recorded in the general books and records. Routine and ancillary revenues from all payer sources should be reported on the appropriate lines and columns. The revenues reported in Column (5) Total should be allocated between Column (6) Nursing Facility and Column (7) Other based upon the gross amount charged to each resident classification. For example, if an assisted living resident generates gross charges for routine daily service, the associated revenues should be reported in Column (7) Other. Revenues are affected to a great extent by the accounting basis and procedures used. Expense recoveries that are a credit to expense accounts should not be reclassified as revenues for purposes of this report.

Enter revenues related to services rendered which are not obligations of the State in Column 8 to the extent of the related expense. These items include beauty and barbershop and personal purchases for residents. Also enter in Column 8 revenues from items and services which are available to residents through other Medicaid vendors.

Apply revenues not related to resident care (Other Revenue Centers) as a reduction of the related expense. Enter on Schedule A in Column 8:

- ◆ The cost, if known (such as employee meals or telephone expense).
- ◆ The gross revenue, if costs cannot be determined.

Investment income adjustment is necessary only if interest expense is incurred and only to the extent of the interest expense.

Handle income from the sale of craft products as follows:

- ◆ When the income is minimal and the raw materials are furnished by either the resident or the facility, the income need not be applied as a reduction in expense.
- ◆ When the income is substantial and the income is turned over to the facility to offset the cost of raw materials, apply the income as an offset of the indicated craft expense.

Apply laundry revenue to laundry expense.

Open lines are provided for entry of sundry sources of revenue not directly related to residents, such as pay telephone commissions, contributions and grants received, etc. These items need not be applied as a reduction of expense.

Report hospice agency revenues on Schedule A under “Other Revenue Centers” as an add-on line item under “Other.” Extend this same amount into Column 8 of Schedule A, as it will be used as an expense offset on Schedule C. The cross-reference line item for this expense offset on Schedule C should be line 81. A description of the adjustment would be “Hospice Reimbursement.” Record the amount in Column 8 as a Schedule A adjustment.

Report accounts receivable charged off or provision for uncollectable accounts on Schedule A as a deduction from gross revenue. However, if the facility accounts for such revenue deductions as an administrative expense, enter the amounts on Schedule B as “other expense not related to patient care.”

The amounts entered on Schedule A, Column 8, are transferred to Schedule C, Column 2. The totals of these columns on both schedules should agree.

For more information on how to apply these instructions to routine services, pharmacy items, medical supplies, ancillary services, and personal needs items, see the explanatory sections that follow.

### Routine Services

Classify revenue from residents sufficiently in the accounting records to allow preparation of the schedule. Routine daily service revenue should be reported in the appropriate columns as gross revenue by primary payer source (i.e., if the primary payer is Medicare and the Medicaid program 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 charge of daily care, excluding additional charges for other services, if any.

Charges for routine services must include all items of services, equipment, and supplies which facilities incur in the provision of routine services. Examples of services and supplies that must be included in routine services are:

- ◆ Residents' rooms and furnishings (as required by licensing rules), including maintenance./General care and supervision of residents.
- ◆ Necessary supervision or assistance with eating, dressing, bathing, grooming, and moving about.
- ◆ Laundry services, including washing personal clothing.
- ◆ Provision of activities and socialization experience for residents.

#### Pharmacy Items

Approved legend drugs requiring a prescription by law and insulin are paid for directly by Medicaid. Costs of these items must be billed by and paid to a retail pharmacy or a facility having a retail pharmacy license. If the facility pays for these costs and is subsequently reimbursed, these reimbursements must offset the expense.

The following items are also provided to residents by the pharmacy and billed by the pharmacy directly to Medicaid:

- ◆ Catheter (indwelling Foley)
- ◆ Colostomy and ileostomy appliances
- ◆ Colostomy and ileostomy care dressings, liquid adhesive, and adhesive tape
- ◆ Diabetic supplies (needles and syringe, disposable or reusable, testape, Clinitest tablets and Clinistix)
- ◆ Disposable catheterization tray or sets/ Disposable irrigation trays or sets (sterile)
- ◆ Disposable saline enemas
- ◆ Insulin
- ◆ Prescription drugs and devices
- ◆ Vitamin pills, prescription (prior approval required)

If the facility pays for these costs and is subsequently reimbursed, those reimbursements must offset the expense.

#### Non-Routine Medical Supplies, Occupational Therapy, Physical Therapy, Speech Therapy, Respiratory Therapy

Therapy revenue and non-routine medical supply revenue should be reported in the appropriate column by actual payment source (i.e., Medicaid, Medicare, Private Pay or Other). Although non-routine medical supplies and therapy services are reimbursed through the per diem rate, revenue for Medicaid therapy services and Medicaid non-routine medical supplies should be reported in Column (1) of Schedule A using gross charges consistently applied to all payer types. The total amount of Medicaid therapy and Medicaid non-routine medical supply revenue should then be netted to zero with a contractual adjustment on Line 240 (Provision for uncollectible accounts).

#### Ancillary Services

A revenue classification “miscellaneous” or “sundry” ordinarily requires an analysis and determination of the amounts included which represent expense recoveries or income to be applied as a reduction to the related expense.

The following items and services are available to residents through other Medicaid programs, and are billed by the supplying vendor. If the facility pays for these costs and is subsequently reimbursed, those reimbursements must offset the expense.

- ◆ Ambulance service
- ◆ Audiologist services
- ◆ Braces and prosthetic devices
- ◆ Chiropractor services
- ◆ Dental work and equipment
- ◆ Hearing aid batteries and cords
- ◆ Hearing aid repairs
- ◆ Hearing aids
- ◆ Hospital services
- ◆ Modifications to orthopedic shoes
- ◆ Optician and optometrist services
- ◆ Occupational or physical therapy provided in a doctor’s office or hospital outpatient clinic
- ◆ Physician services
- ◆ Podiatrist services
- ◆ Repair of medical equipment and appliances
- ◆ Skilled services
- ◆ X-rays, laboratory work

#### Personal Needs Items

Residents may choose to purchase personal needs items through the facility. Revenues from these items must offset the related expenses account.

Licensing rules for facilities require that the facility provide materials for activity programs and recreation. Items purchased for general use by the facility should be included in routine service costs and should not be charged to residents.

A resident may purchase a wheelchair from personal needs funds to be used exclusively by the resident. A wheelchair purchased by a resident reverts to the resident’s estate or to relatives upon death.

A resident may purchase a television set or an air conditioner from personal needs funds for use in the resident’s room only. Appliances must revert to the resident’s estate or to relatives. Reasonable charges for electricity for use of appliances are allowable personal needs fund charges, if a like amount is included in Schedule C as a reduction in cost for utilities (Line 32).

In NFs and ICF/MRs, if nonlegend drugs or nonprescription vitamin pills are ordered by a physician, they must be included in routine service charges and are an allowable cost. If a resident requests these items and the items are not ordered by a physician, they may be

charged to the resident.

### **AVERAGE PRIVATE PAY RATE**

The average private pay rate should reflect the average usual and ordinary charge for private pay residents for like levels of service during the reporting period. To compute the average private pay rate, accumulate the total monthly charges for all nursing facility private-pay residents for the reporting period. Divide this sum by the total nursing facility patient days for all nursing facility private-pay residents for the same reporting period. "Total monthly charges" include the basic charge plus all charges for extra care, services, or supplies that are covered by the Medicaid per diem rate.

### **SCHEDULE A-1 – NF CONVERSION/LTC SERVICE DEVELOPMENT GRANT REVENUE**

#### Assisted Living Grant Revenue

Report revenue associated with assisted living grant units only. Revenue should be separated by Medicaid, Waiver, HUD low income credits, HCBS rent subsidy, In-home care and private pay.

#### Service Development Grant Revenue

Report revenue associated with a service development grant only. Revenue should be reported in columns 1, 2 and 3 separated by Medicaid, Waiver and private pay. Report in columns 4, 5, and 6 the number of Medicaid, Waiver and private pay units for each type of service provided.

### **SCHEDULE A-2 – DESCRIPTION OF LIVING UNITS**

#### Assisted Living Grant Funded

Only complete this schedule if the facility has an assisted living grant. Facilities that do not have an assisted living grant do not need to complete this schedule.

For each type of unit submitted in your architectural and feasibility study, report in

Column 3 the number of units for each room configuration indicating the room configuration as a one-bedroom, two-bedroom or efficiency. The schedule allows for up to ten (10) types of room configurations.

Report in Column 4 the square footage for each room configuration.

Report in Column 5 the total Medicaid resident days occupying each room configuration.

Report in Column 6 the total resident days occupying each room configuration.

Report in Column 7 the average monthly room rental rate and average monthly board rate charged Medicaid residents during the reporting period for each room configuration.

Report in Column 8 the average monthly room rental rate and average monthly board rate charged Non-Medicaid residents during the reporting period for each room configuration.

#### Assisted Living Non-Grant Funded

Complete this schedule if the facility has an assisted living grant and has separate non-granted funded assisted living units. Facilities that do not have an assisted living grant do not need to complete this schedule.

For each type of non-grant funded unit submitted in your architectural and feasibility study, report in Column 3 the number of units for each room configuration in the applicable row indicating the room configuration as a one-bedroom, two-bedroom or efficiency. The schedule allows for up to ten (10) types of room configurations.

Report in Column 4 the square footage for each room configuration.

Report in Column 5 the total Medicaid resident days occupying each room configuration.

Report in Column 6 the total resident days occupying each room configuration.

Report in Column 7 the average monthly room rental rate and average monthly board rate charged Medicaid residents during the reporting period for each room configuration.

Report in Column 8 the average monthly room rental rate and average monthly board rate charged Non-Medicaid residents during the reporting period for each room configuration.

#### **SCHEDULE B: EXPENSE ADJUSTMENTS**

Certain expenses must be eliminated or limited because they are not normally incurred in providing patient care. Rules concerning these expenses are set forth below. The amounts entered on Schedule B are transferred to Schedule C, Column 3. The totals of these columns on both schedules must agree.

The following expenses are not reimbursable:

- ◆ Income Taxes. Federal and state income taxes are not allowable as reimbursable costs.
- ◆ Fees Paid Directors and Nonworking Officers' Salaries. Fees paid to directors and nonworking officers' salaries are not allowable as reimbursable costs.
- ◆ Bad Debts. Bad debts are amounts considered to be uncollectable from accounts and notes receivable which were created or acquired in providing services. Bad Debts are not an allowable cost.
- ◆ Courtesy Allowances. Courtesy allowances are reductions in charges made by the provider of services because of the indigence or medical indigence of the resident. Courtesy allowances are not an allowable cost.
- ◆ Entertainment. Entertainment for which the resident is required to pay is not included as

an allowable cost. Entertainment provided by the facility for participation of all residents who are physically and mentally able to participate is an allowable expense. Examples are as follows:

- Birthday parties.
  - Outside entertainers, exclusive of volunteer groups (religious, high school, community groups, etc.).
  - Activity director salary, unless working as a volunteer.
  - Expenses incurred in the activities program are an allowable expense. (See also the instructions for Personal Needs Items under Schedule A.)
  - Concerts, athletic events, shows and other entertainment which require an outlay of funds by the facility are allowable expenses.
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- ◆ Loan Acquisition Fees and Standby Fees. Loan acquisition fees and standby fees are not considered part of the current expense of resident care, but should be amortized over the life of the related loan.
  - ◆ Capital Expenditures. Providers constructing new facilities or expanding existing facilities must receive certificate of need approval from the Iowa Department of Public Health. When prior approval is not obtained, depreciation, interest on borrowed funds and other costs attributable to such capital expenditures are not allowed as reimbursable expenses.
  - ◆ Legal Fees. Reasonable legal fees are an allowable cost when directly related to patient care. Legal fees related to defense against threatened state license revocation or Medicaid decertification are allowable costs only up to the date a final appeal decision is issued. However, in no case will legal fees related to Medicaid decertification be allowable costs for more than 120 days following the decertification date.

The following sections give more detailed information on the limits for:

- ◆ Travel expenses.
- ◆ Compensation of owners and related parties.
- ◆ Items furnished by related organizations.
- ◆ Rental costs.
- ◆ Depreciation.
- ◆ Interest.

### Travel

Personal travel and entertainment expenses are not allowable as reimbursable costs. Prorate expenses such as rental or depreciation of vehicles and travel expenses that include both business and personal expense.

Maintain records to substantiate the indicated charges. Amounts that appear excessive may be limited after considering the specific circumstances. Guidelines relating to this area are as follows:

- ◆ No commuter travel (from private residence to facility and return) is allowed as an audit cost in computing the facility's per diem rate. This includes owners, owner-administrators, administrators, assistant administrators, nursing directors, and all other employees of the facility.
- ◆ The expense of one car, one van, or both, designated for use in transporting residents

is an allowable cost. (This restriction on number of vehicles does not apply to ICF/MRs.) Travel related to resident care is allowable. Document all expenses by a sales slip, invoice, or other document describing the expense and identifying the vehicle.

- ◆ Travel for which the resident is required to pay must not be included as a travel expense. If the expense cannot be identified and eliminated from other travel expense, revenue from this source must be included on Schedule A and must offset expense on Schedule C.
- ◆ Expenses associated with association business meetings are allowable if limited to individual members of associations that are members of a national affiliate.
- ◆ Expenses 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 also allowable expenses.
- ◆ Travel of an emergency nature required for the purchase of supplies or for repairs for machinery, building or equipment is an allowable travel expense.
- ◆ Allowable expenses for resident transport, business meetings, continuing education and emergencies (as described above) are limited to six percent of total administrative expense. This restriction does not apply to ICF/MRs.

At the annual contract review, each facility must verify that it either:

- ◆ Has a transportation plan approved by the Iowa Department of Transportation (DOT),
- ◆ Has notification that it is exempt, is awaiting response from the DOT, or
- ◆ Has been notified that its plan is in noncompliance with requirements of the DOT.

If the facility has a noncompliant plan, the transportation cost of the facility is not allowed in computing the allowable per diem rate of the facility. Statements indicating exemption or compliance are subject to follow-up audit review by the Department. If supportive documentation cannot be produced, then transportation cost will be disallowed.

#### Compensation of Owners or Related Parties

Owners of provider organizations often render services as managers, administrators, or in other capacities. In such cases, it is equitable that reasonable compensation for the services rendered be an allowable cost. To do otherwise would disadvantage these owners in comparison with providers employing persons to perform a similar service.

Ordinarily, compensation paid to proprietors is a distribution of profits. However, where a proprietor renders necessary services for the facility, the facility is in effect employing the proprietor's services. A reasonable compensation for these services is an allowable cost.

For corporate providers, the salaries of owners who are employees are subject to the same requirements of reasonableness of compensation, which may be determined by reference to, or in comparison with, compensation paid for comparable services and responsibilities in comparable facilities or other appropriate means.

A reasonable allowance of compensation for services of owners or related parties is an allowable cost, provided the services are actually performed in a necessary function. Maintain adequate time records to justify reported expenses. Adjustments may be necessary to provide compensation

as an expense for non-salaried working proprietors and partners.

The following persons are considered related parties:

- ◆ Husband and wife;
- ◆ Natural parent, child and sibling;
- ◆ Adopted child and adoptive parent;
- ◆ Grandparent and grandchild;
- ◆ Stepparent, stepchild, stepbrother, and stepsister;
- ◆ Father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, and sister-in-law.

Compensation means the total benefit received by the owner or related party for the services the proprietor renders to the facility. It includes:

- ◆ Salaries for managerial, administrative, professional and other services.
- ◆ Amounts incurred by the facility for personal benefits of the proprietor e.g., health insurance, food or meals, personal utilities, taxes, yard care, etc.
- ◆ The cost of assets and services which the proprietor receives from the facility e.g. life insurance, key man insurance, personal care, etc.
- ◆ Deferred compensation.

Members of religious orders serving under an agreement with their administrative office are allowed salaries equal to those paid to persons performing comparable services. If the facility provides maintenance to such persons (room, board, clothing, etc.) deduct the value of these benefits from the amount otherwise allowed for a person not receiving maintenance.

Necessary means that the function:

- ◆ Is such that if the owner or related party had not rendered the service, the facility would have to employ another person to perform the service.
- ◆ Is pertinent to the operation and sound conduct of the facility.

Reasonable means that the compensation allowance:

- ◆ Is an amount that would ordinarily be paid for comparable services by comparable facilities.
- ◆ Depends upon the facts and circumstances of each case.

Federal financial participation is available for owner's compensation, provided the schedules of payment established by the Department do not exceed the combined payments received by providers from the intermediaries and beneficiaries under Medicare for furnishing comparable services under comparable circumstances.

Guidelines for determining reasonableness have been established based upon a review of compensation of owners and nonowners with the assistance of the regional Health and Human Services office. These guidelines are as follows:

- ◆ Administrator: A monthly base maximum compensation is allowed for an administrator, plus a given amount for each licensed bed over 60, not to exceed a set limit per month. An administrator is considered to be involved in ownership of a facility when the administrator holds an interest of five percent or more.
- ◆ Assistant administrator: A maximum monthly compensation is allowed for an assistant administrator for a home having a licensed capacity of 151 or more beds.
- ◆ Nursing director: The maximum allowed compensation for a director of nursing is 60 percent of the amount allowed for the administrator, or a set amount per month, whichever is greater.
- ◆ Other employees: Compensation amounts for other employees must be reasonable and necessary.

Contact the Division of Medical Services for current limits. A notice is issued to all facilities concerning these limits.

Management fees are computed on the same basis as the owner-administrator's salary, but the amount paid the resident administrator is deducted. If the parent company can separately identify accounting costs, these costs are allowed.

Expenses related to patient care which are incurred by a central office on behalf of the facility are allowable to the extent that the cost would be allowed if paid directly by the facility.

#### Items Furnished by Related Organizations

Costs of supplies furnished by a related party or organization are reimbursable if included at the costs to the related party or organization. However, such costs must not exceed the price of comparable supplies that could be purchased elsewhere. Complete Schedule G, Related Party Transactions, to indicate all items purchased from related parties.

Related to the facility means that the facility, to a significant extent, is associated or affiliated with, or has control of, or is controlled by the organization furnishing the services, facilities, or supplies.

Common ownership means that a person or persons possess significant ownership or equity in the facility and the institution or organization serving the provider.

Control means that a person or an organization has power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution.

Where the facility obtains items of service, facilities, or supplies, from an organization, even though it is a separate legal entity, and the organization is owned or controlled by the owners of the provider, in effect the items are obtained from itself.

One example is a corporation building a facility and then leasing it to another corporation controlled by the owner. Reimbursable cost should not exceed the costs for these items to the

supplying organization.

However, if the price in the open market for comparable services, facilities, or supplies is lower than the cost to the supplier, the allowable cost to the facility will not exceed the market price.

An exception is provided to this general principle if the facility demonstrates by convincing evidence:

- ◆ That the supplying organization is a bona vide separate organization.
- ◆ That a substantial part of its business activity of the type carried on with the facility is transacted with others than the facility.
- ◆ That there is an open, competitive market for the type of services, facilities, or supplies furnished by the organization.
- ◆ That the services, facilities, or supplies are those which commonly are obtained by institutions such as the facility from other organizations and are not a basic element of patient care originally furnished directly to patients by such institutions.
- ◆ That the charge of the facility is in line with the charge for such services, facilities, or supplies in the open market and no more than the charge made under comparable circumstances to others by the organization for such services, facilities, or supplies.

In such cases, the charges by the supplier for the services, facilities, or supplies are an allowable costs.

#### Rental Costs

When an operator of a participating facility enters into an agreement to rent the facility from the former owner or operator, rental expense must be determined by identifiable property costs and by relationship of the provider to the landlord.

When the provider rents from a nonrelated party, the amount of rental expense must be based on the identified cost of the facility, plus the landlord's other expenses, and a reasonable rate of return, not to exceed actual rent payments.

When the provider rents from a related party, the amount of rental expense must be no more than the amortized cost of the facility plus the landlord's other expenses.

#### Advertising

Advertising expense is allowed not to exceed the lesser of \$7,200 or an amount computed at 2% of daily revenue.

#### Depreciation

Depreciation based upon tax cost may be included as a resident cost using only the straight-line method of computation and recognizing the estimated useful life of the asset. When accelerated methods of computation have been elected for income tax purposes, an adjustment must be made.

With any change of ownership of a nursing facility or ICF/MR, including lease arrangement, no increase in the value of the property is allowed in determining the Medicaid rate for the new owner. (Facilities having a change in ownership complete Schedule D-1 for each reporting period.)

For RCFs, the new owner or operator must either:

- ◆ Continue with previous owner's depreciation schedule, or
- ◆ Set up a new depreciation schedule using the amount obtained by deducting the depreciation expenses incurred since July 1, 1980, from the value of depreciable real property. The value will be the sale price or appraised value, whichever is less. (441 IAC 54.3(12)"c")

### Interest

Necessary and proper interest on both current and capital indebtedness is an allowable cost.

Interest means the cost incurred for the use of borrowed funds. Interest on current indebtedness is the cost incurred for funds borrowed for a relatively short term. This is usually for such purposes as working capital for normal operating expenses.

Interest on capital indebtedness is the cost incurred for funds borrowed for capital purposes, such as acquisition of facilities and equipment and capital investments. Generally, loans for capital purposes are long-term loans.

Necessary means that the interest:

- ◆ Is incurred on a loan made to satisfy a financial need of the provider. Loans which result in excess funds or which provide investments are not considered necessary.
- ◆ Is incurred on a loan made for a purpose reasonably related to patient care. Loans made for the purpose of acquiring capital stock and treasury stock are not considered reasonably related to patient care.
- ◆ Is reduced by investment income, except where such income is from restricted or unrestricted gifts and grants, which are held separate and not mingled with other funds. Income from funded depreciation or a provider's qualified pension fund is not used to reduce interest expense.

Proper means that interest:

- ◆ Is incurred at a rate not in excess of what a prudent borrower would have had to pay in the money market existing when the loan was made.
- ◆ Is paid to a lender not related through control or ownership or personal relationship to the borrowing organization.

To be allowable, interest expense generally must be incurred on indebtedness established with

a lender or lending organization not related through control, ownership, or personal relationship to the borrower.

Presence of any of these factors affect the “bargaining” process that usually accompanies the making of a loan, and could suggest an agreement on higher rates of interest or of unnecessary loans.

However, under some circumstances, interest on loans to providers by lenders or lending organization related through control, ownership, or personal relationship to the borrower is allowable as a cost at a rate not in excess of the current interest rate at the time the loan was made. The current interest rate is intended to mean what an investor could receive on funds invested in the locality.

Loans must be made under terms and conditions that a prudent borrower would make in arms-length transactions with lending institutions. The intent of this provision is to ensure that loans are legitimate and needed, and that the interest rate is reasonable.

Where the general fund of a provider “borrows” from a donor-restricted fund and pays interest to the restricted fund, this interest expense is an allowable cost.

The same treatment is accorded interest paid by the general fund on money “borrowed” from the funded depreciation account of the provider or from the provider’s qualified pension fund. If a provider operated by members of a religious order borrows from the order, interest paid to the order is an allowable cost.

Where funded depreciation is used for purposes other than improvement, replacement, or expansion of facilities or equipment related to patient care, allowable interest expense is reduced to adjust for offsets not made in prior years from earnings on funded depreciation.

A similar treatment is accorded deposits in the provider’s qualified pension fund when such deposits are used for other than the purpose for which the fund was established.

#### Change of Facility Ownership

The person responsible for transfer of ownership or for termination is responsible for submission of a final *Financial and Statistical Report* through the date of the transfer or termination. No payment to the new owner will be made until formal notice of the change is received.

The following situations are defined as transfer of ownership:

- ◆ When a facility is owned by a partnership, the removal, addition, or substitution of a partner, in the absence of an express statement to the contrary, dissolves the old partnership and creates a new partnership which is not a party to the previously executed agreement. A transfer of ownership has occurred.
- ◆ When a facility is a sole proprietorship, a transfer of title and property to another party constitutes a change of ownership.

- ◆ When a facility is a corporation, neither a transfer of corporate stock nor a merger of one or more corporation with the participating corporation surviving is a transfer of ownership. A consolidation of two or more corporations resulting in the creation of a new corporate entity constitutes a change of ownership.
- ◆ When a participating facility is leased, a transfer of ownership is considered to have taken place. When the entire facility is leased, the total agreement with the lessor terminates. When only part of the facility is leased, the agreement remains in effect with respect to the unleased portion, but terminates with respect to the leased portion.

With any change of ownership of a NF or ICF/MR (including lease agreements), no increase in the value of the property will be allowed in determining the Medicaid rate for the new owner.

When filing the first cost report, the new owner must either:

- ◆ Continue the schedule of depreciation and interest established by the previous owner, OR
- ◆ Choose to claim interest expense using amortization of the actual rate of interest.

The results of the interest expense calculation must not be higher than would be allowed under Medicare principles of reimbursement. Interest must be applied to the allowed depreciable value established by the previous owner, less any down payment made by the new owner.

Other acquisition costs of the new owner will not be allowed. These include 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.

In general, follow the provisions of Section 1861 (v)(1)(0) of the Social Security Act regarding payment allowed under Medicare principles of reimbursement at the time of a change of ownership, except that there is no provision for return on equity or recapture of depreciation.

A new owner or lessee wishing to claim a new rate of interest must submit documentation that verifies:

- ◆ The amount of down payment made,
- ◆ The actual rate of interest, and
- ◆ The number of years required for repayment with the next cost report.

In the absence of the necessary supportive documentation, interest and other property costs for all facilities that have changed or will change ownership must continue at the rate allowed the previous owner.

### **SCHEDULE C - EXPENSES**

- ◆ Administrative costs
- ◆ Environmental services
- ◆ Direct patient care costs
- ◆ Support care costs

- ◆ Property costs
- ◆ Other costs

The accounts under these categories are segregated to provide required statistical information. All expense carried on the provider's general ledger must be entered in Column 1.

Column 2 and 3 (Adjustment of Expenses) reflect adjustments from Schedule A and B for items which are not allowable as costs to provide resident care. Expense adjustments that are a reduction to expense should be input as a negative amount. Column 4 must reflect expenses related to resident care.

Costs allocated to certain line items on Schedule C are limited. See SCHEDULE B: EXPENSE ADJUSTMENTS for an explanation of these limits.

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

Administrative Costs

LINE 1: ADMINISTRATOR WAGES. Salary of the facility administrator including regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period. See Schedule B instructions for limits that may apply.

LINE 2: BUSINESS OFFICE WAGES. Salaries and wages for other administrative positions, such as assistant administrator, bookkeeper, and clerical support. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 3: EMPLOYER'S TAXES (ADMINISTRATIVE). Payroll taxes related to the salaries and wages included in lines 1 and 2.

LINE 4: GROUP HEALTH, LIFE, AND RETIREMENT BENEFITS (ADMINISTRATIVE). Health, life and retirement benefits related to the salaries and wages in lines 1 and 2. (Report officer's life insurance on line 93.)

LINE 5: WORKER'S COMP INSURANCE (ADMINISTRATIVE). Worker's compensation insurance expenses related to the salaries and wages in lines 1 and 2.

LINE 6: EMPLOYMENT ADVERTISING AND RECRUITMENT (ADMINISTRATIVE). Costs of advertising for hiring of administrative positions.

LINE 7: CRIMINAL RECORD CHECKS (ADMINISTRATIVE). Costs associated with conducting criminal record checks for positions included in lines 1 and 2.

LINE 8: EDUCATION AND TRAINING (ADMINISTRATIVE). Costs of training seminars and courses, such as registration fees, course materials, and associated travel and lodging costs.

LINE 9: SUPPLIES (ADMINISTRATIVE). Expenses for administrative operations such as computer, postage, copier, and printing supplies.

LINE 10: TELEPHONE. Expenses for telephone and paging services.

LINE 11: EQUIPMENT RENTAL (ADMINISTRATIVE). Rent expense for equipment used to support administrative operations.

LINE 12: HOME OFFICE COSTS. Costs of essential services provided from a central location.

Facilities with the home office or principal headquarters that receive essential services from this office must annually provide a copy of their general ledger trial balance. These facilities must also provide a copy of their grouping schedules that demonstrate how the accounts on their trial balance are grouped by the individual line items on their cost reports.

These schedules must demonstrate the basis for allocation of home office costs of the specific line items on each facility cost report, including compliance and limitations on:

- ◆ Owner and related party compensation
- ◆ Purchase of services from related parties
- ◆ Allocation methods to Iowa nursing facilities and other businesses
- ◆ Travel and transportation costs
- ◆ Advertising
- ◆ Director's fees and related expenses
- ◆ Contributions
- ◆ Income tax

LINE 13: MANAGEMENT FEES. Costs for management fees of a facility.

LINE 14: ACCOUNTING COSTS, LEGAL, AND OTHER PROFESSIONAL FEES. Costs for contracted accounting, legal, or other administrative professional services.

LINE 15: GENERAL LIABILITY INSURANCE. Expense of general liability insurance.

LINE 16: TRAVEL, ENTERTAINMENT, AND AUTO. Costs for entertainment and travel, other than related to education above, and expense for facility vehicles when not providing transportation for patients. These expenses are limited to 6% of line 19 minus this line. See Schedule B instructions for other limits that may apply.

LINE 17: ADVERTISING AND PUBLIC RELATIONS. Costs for general advertising of services, marketing, development, promotion, and public relations. This line is limited to the lesser of \$7,200 or an amount computed at 2% of daily revenue.

LINE 18: BLANK. Use this line for any miscellaneous administrative costs that do not fit the definitions of the lines above. If more than one type of cost is included in this line, please provide

a worksheet detailing the costs involved. Amounts reported on unlabeled line 18 should be described in the space provided.

LINE 19: TOTAL ADMINISTRATIVE COSTS. Represents the total of all costs reported in lines 1 through 18.

Environmental Service Costs

LINE 20: LAUNDRY WAGES. Salaries and wages for positions that provide laundry services. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 21: HOUSEKEEPING WAGES. Salaries and wages for positions that provide housekeeping services. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 22: MAINTENANCE WAGES. Salaries and wages for positions that provide maintenance services. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 23: EMPLOYERS TAXES (ENVIRONMENTAL). Payroll taxes related to the salaries and wages in lines 20, 21, and 22.

LINE 24: GROUP HEALTH, LIFE, AND RETIREMENT BENEFITS (ENVIRONMENTAL). Health, life and retirement benefits related to the salaries and wages in lines 20, 21, and 22.

LINE 25: WORKER'S COMP INSURANCE (ENVIRONMENTAL). Worker's compensation insurance expenses related to the salaries and wages in lines 20, 21, and 22.

LINE 26: EMPLOYMENT ADVERTISING AND RECRUITMENT (ENVIRONMENTAL). Costs of advertising for hiring of environmental service positions.

LINE 27: CRIMINAL RECORD CHECKS (ENVIRONMENTAL). Costs associated with conducting criminal record checks for positions included in lines 20, 21, and 22.

LINE 28: EDUCATION AND TRAINING (ENVIRONMENTAL). Costs of training seminars and course, including registration fees, course materials, and associated travel and lodging costs.

LINE 29: SUPPLIES, LAUNDRY. Expenses for supplies used to provide laundry services.

LINE 30: SUPPLIES, HOUSEKEEPING. Expenses for supplies used to provide housekeeping services.

LINE 31: SUPPLIES, MAINTENANCE. Expenses for supplies used to provide maintenance services.

LINE 32: UTILITIES. Electricity, gas, water, sewer, and other utility expenses.

LINE 33: PURCHASED SERVICE, LAUNDRY. Cost of outside contractors to provide laundry services.

LINE 34: PURCHASED SERVICES, HOUSEKEEPING. Cost of outside contractors to provide housekeeping services.

LINE 35: PURCHASED SERVICES, MAINTENANCE. Cost of outside contractors to provide maintenance services.

LINE 36: EQUIPMENT REPAIRS. Expenses related to equipment service agreements and to repairing facility equipment.

LINE 37: EQUIPMENT RENTAL (ENVIRONMENTAL). Rental expense of equipment used to support environmental services, such as floor scrubbers.

LINE 38: BLANK. Use this line for miscellaneous environmental services costs that do not fit the definitions of the lines above. If more than one type of cost is included in this line, please provide a schedule detailing the costs included. Amounts reported on unlabeled line 38 should be described in the space provided.

LINE 39: TOTAL ENVIRONMENTAL SERVICE COSTS. The total of all costs in lines 20 through 38.

Direct Patient Care Costs

LINE 40: D.O.N. WAGES. Salaries and wages for the director of nursing and assistant director of nursing. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 41: R.N. WAGES. Salaries and wages for registered nurses. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 42: L.P.N. WAGES. Salaries and wages for licensed professional nurses. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 43: C.N.A. WAGES. Salaries and wages for certified nurse aides and certified medication aides. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 44: ACTIVITIES WAGES. Salaries and wages for positions providing activity services. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 45: SOCIAL SERVICE WAGES. Salaries and wages for positions providing social services. Reports costs associated with a chaplain on this line. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 46: EMPLOYERS TAXES (DIRECT HEALTH). Payroll taxes related to the salaries and wages include in lines 40 through 45.

LINE 47: GROUP HEALTH, LIFE, AND RETIREMENT BENEFITS (DIRECT HEALTH). Health, life and retirement benefits related to the salaries and wages in lines 40 through 45.

LINE 48: WORKER'S COMP INSURANCE (DIRECT HEALTH). Worker's compensation and professional liability insurance expense related to the salaries and wages in lines 40 through 45.

LINE 49: EMPLOYMENT ADVERTISING AND RECRUITING (DIRECT HEALTH). Advertising for hiring of patient care service positions in lines 40 through 45. Hiring bonuses are reported on this line.

LINE 50: CRIMINAL RECORD CHECKS (DIRECT HEALTH). Costs associated with conducting a criminal record check for positions included in lines 40 through 45.

LINE 51: EDUCATION, TRAINING (DIRECT HEALTH). Cost of training seminars and courses, registration fees, course materials, and associated travel and lodging costs for patient care services training except certified nurse aid training relating to certification.

LINE 52: CERTIFIED NURSE AIDE TRAINING. Costs of training courses for certification of nurse aides. Do not include other types of training costs in this line. The federal government reimburses costs associated with CNA training at a different rate than other facility costs. Although this does not affect individual facility's reimbursement rate, it does affect the federal funding for the Iowa Medicaid program.

LINE 53: CONTRACTED PROFESSIONAL SOCIAL SERVICES. Costs for outside contractors to provide social services.

LINE 54: PROFESSIONAL SUPPORT SERVICES. Costs for professional support services, such as those of a quality assurance nurse.

LINE 55: CONTRACTED NURSING SERVICES. Costs for outside contractors to provide nursing services.

LINE 56: OCCUPATIONAL THERAPY. Costs to provide occupational therapy services whether provided by outside contractor or by in house employees. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 57: PHYSICAL THERAPY. Costs to provide physical therapy services whether provided by outside contractors or by in house employees. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 58: SPEECH THERAPY. Costs to provide speech therapy services whether provided by outside contractors or by in house employees. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 59: RESPIRATORY THERAPY. Costs to provide respiratory therapy services whether provided by outside contractors or by in house employees. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 60: BLANK. Use this line for miscellaneous patient care service costs that do not fit the definitions of the lines above. If more than one type of cost is included in this line, please provide a worksheet detailing the costs involved. Amounts reported on unlabeled line 60 should be described in the space provided.

LINE 61: TOTAL DIRECT PATIENT CARE. The total costs from lines 40 through 60.

Support Care Costs

LINE 62: MEDICAL RECORD WAGES. Salaries and wages for positions responsible for maintaining medical records. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 63: MEDICAL DIRECTOR. Expenses associated with medical director services.

LINE 64: DIETARY SERVICE WAGES. Salaries and wages for positions that provide dietary services such as dietary supervisors, dietary aides, cooks, and dishwaters. Include in this line all regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense for the reporting period.

LINE 65: EMPLOYERS TAXES (SUPPORT). Payroll taxes related to the salaries and wages included in lines 62 through 64.

LINE 66: GROUP HEALTH, LIFE AND RETIREMENT BENEFITS (SUPPORT). Health, life and retirement benefits related to the salaries and wages in lines 62 through 64.

LINE 67: WORKER'S COMP INSURANCE (SUPPORT). Worker's compensation insurance expense related to the salaries and wages in lines 62 through 64.

LINE 68: EMPLOYMENT ADVERTISING AND RECRUITMENT (SUPPORT). Costs of advertising for hiring of support care positions in lines 62 through 64.

LINE 69: CRIMINAL RECORD CHECKS (SUPPORT). Costs associated with conducting a criminal record check for positions included in lines 62 through 64.

LINE 70: ROUTINE SUPPLIES, PATIENT CARE SERVICES. Costs of medical supplies that are customarily used to provide patient care services. Routine supplies are usually included in the staff's supplies and not designated for a specific resident.

LINE 71: NON-ROUTINE SUPPLIES, PATIENT CARE SERVICES. Costs of medical supplies that are identifiable to individual residents. Non-routine supplies are usually furnished at the direction of the resident's physician.

LINE 72: SUPPLIES, DIETARY SERVICES. Costs of non-food supplies necessary to provide dietary services.

LINE 73: SUPPLIES, ACTIVITIES. Costs of supplies used as part of the facility's activities program.

LINE 74: SUPPLIES, SOCIAL SERVICES. Costs of supplies used to deliver social services in the facility.

LINE 75: FOOD AND NUTRITIONAL SUPPLEMENTS. Food and nutritional supplement costs.

LINE 76: PHARMACY SERVICES. Costs of drugs and pharmaceuticals. Reduce any expenses for providing services to private pay residents by the related revenue.

LINE 77: X-RAY SERVICES. X-ray expenses.

LINE 78: LABORATORY. Laboratory services expenses.

LINE 79: PROFESSIONAL SUPPORT SERVICES. Costs for outside contractors to provide professional support services. Report contracted dietary consultant fees here.

LINE 80: EQUIPMENT RENTAL (PATIENT CARE). Rental expense of equipment used to support the patient care services area, such as beds, special chairs, and lifts.

LINE 81: BLANK. Use this line for any other miscellaneous support services costs that does not fit the definitions of the lines above. If more than one type of cost is included in this line, please provide a schedule detailing the costs involved. Amounts reported on unlabeled line 81 should be described in the space provided.

LINE 82: TOTAL SUPPORT CARE COSTS. Total costs from lines 62 through 81.

LINE 83: TOTAL PATIENT CARE SERVICES. The sum of lines 61 and 82.

#### Property Costs

LINE 84: DEPRECIATION. Facility depreciation for equipment and buildings. Adjust these costs on Schedule B to convert book depreciation, if other than straight-line, to the straight-line method of depreciation.

The amounts on this line should be consistent with the total amount reported on Schedule D or D-1. See Schedule B instructions for limits that may apply.

LINE 85: AMORTIZATION. Amortization costs for the facility on leasehold improvements, start up costs, etc.

LINE 86: REAL ESTATE TAXES. Property taxes incurred for the facility.

LINE 87: FACILITY LEASE. Rent expenses for lease of the facility only. Include expenses related to rental of facility equipment on the equipment rental lines of the other sections. Facility rent is limited. See instructions under Schedule B for an explanation of the limits.

LINE 88: INTEREST. Necessary and proper interest incurred on facility loans. Interest paid to a

related party is not an allowable expense. Interest expense should be reduced by investment income. See Schedule B instructions for limits that may apply.

LINE 89: PROPERTY AND CASUALTY INSURANCE. Property and casualty insurance on the facility buildings and equipment.

LINE 90: BUILDING AND GROUNDS REPAIRS. Costs for repairing the facility's building and grounds.

LINE 91: BLANK. Use this line for any other miscellaneous property costs that do not fit the definitions of the lines above. If more than one type of cost is included in this line, please provide a schedule detailing the costs involved. Amounts reported on unlabeled line 91 should be described in the space provided.

LINE 92: TOTAL PROPERTY COSTS. Total costs from lines 84 through 91.

Other Costs

LINE 93: BEAUTY AND BARBER SHOP. Costs to provide beauty and barber shop services at the facility. These costs are not reimbursable, and should be offset 100%.

LINE 94: PERSONAL PURCHASES FOR RESIDENTS. Cost of personal items purchased for patients at the facility. These costs are not reimbursable, and should be offset 100%.

LINE 95: INCOME TAXES. Income tax expense incurred during the period. These costs are not reimbursable, and should be offset 100%.

LINE 96: 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 offset 100%.

LINE 97: DIRECTOR'S FEES. Fees incurred for the board of directors. These costs are not reimbursable, and should be offset 100%.

LINE 98: NON-WORKING OFFICER'S SALARIES. Salaries and wages paid to officers who did not work at the facility. These costs are not reimbursable, and should be offset 100%.

LINE 99: PROFESSIONAL CARE – PHYSICIANS. Payments made to physicians for other than medical director services. These costs are not reimbursable, and should be offset 100%.

LINE 100: CONTRIBUTIONS. Donations and contributions made by the facility. These costs are not reimbursable, and should be offset 100%.

LINE 101: BLANK. Use this line for any other miscellaneous costs that do not fit the definitions of the lines above. Amounts reported on unlabeled line 101 should be described in the space provided.

LINE 102: TOTAL OTHER COSTS. The total costs from lines 93 through 101.

LINE 103: TOTAL OF ALL EXPENSES. The total costs from lines 19, 39, 83, 92, and 102.

### **SCHEDULE C-1 – ASSISTED LIVING EXPENSE ALLOCATION**

Only complete this schedule if the facility has an assisted living grant. Facilities that do not have an assisted living grant do not need to complete this schedule.

Report in column 1 the allocation basis statistic utilized to allocate assisted living expenses between grant funded and non-grant funded expenses for each line where assisted living costs are reported on Schedule C, Column 8. (example: square feet, number of rooms, resident days)

Acceptable allocation bases for cost reporting purposes are those bases that are:

- ◆ Relevant -- The allocation base must have some significant relationship to the cost report line in question.
- ◆ Reliable -- The allocation base must be a faithful representation that is verifiable and unbiased.
- ◆ Consistent -- The allocation base must be determined and applied consistently from one period to the next, unless extraordinary circumstances indicate a change to a more appropriate measure.

Report in column 2 the numeric value of the allocation percentage used to allocate costs to the grant funded unit for each line where assisted living costs are reported on Schedule C, Column 8.

Report in column 3 the numeric value of the allocation percentage used to allocate costs to the non-grant funded unit for each line where assisted living costs are reported on Schedule C, Column 8.

Columns 5, 6 and 7 will be calculated based on the allocation statistics reported in columns 1, 2 and 3.

### **SCHEDULE D – DEPRECIATION AND AMORTIZATION EXPENSE**

#### Equipment and Building:

Report construction in process in Column 1

Report assets costs in column 2. These costs should not include construction in process and agree

with Schedule E – Comparative Balance Sheet, Lines 807 and 809.

Report in column 3 the accumulated depreciation expense at the beginning of the reporting period. This expense should agree with Schedule E – Comparative Balance Sheet, Lines 808 and 810, Column 2.

Report in column 4 the method utilized for depreciating assets per the provider's books.

Report in column 5 the annual percentage of depreciation expense utilizing the depreciation methodology described in column 4.

Report in column 6 the provider depreciation expense for the report period per the provider's books.

Report in column 7 the asset depreciation expense for the reporting period utilizing a straight line depreciation methodology. This expense should agree with Schedule C, Line 81.

Leasehold Improvements:

Report construction in process in Column 1

Report leasehold improvement costs in column 2. These costs should not include construction in process and should agree with Schedule E – Comparative Balance Sheet, Lines 811.

Report in column 3 the accumulated amortization expense at the beginning of the reporting period. This expense should agree with Schedule E – Comparative Balance Sheet, Lines 812, Column 2.

Report in column 4 the number of months the leasehold improvements are amortized.

Report in column 5 the provider amortization expense for the report period per the provider's books.

Report in column 6 the asset amortization expense for the reporting period utilizing a straight line amortization methodology. This expense should agree with Schedule C, Line 82.

**SCHEDULE D-1 - CHANGE OF OWNERSHIP**

This schedule must be completed if the facility has changed ownership since June 18, 1984.

Report allowable assets costs of the previous owner in column 1.

Report allowable asset costs purchased and placed in service subsequent to the change of ownership in column 2. 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.

Report in column 3 the accumulated depreciation expense at the beginning of the reporting period on the assets and reported in columns 1 and 2 utilizing a straight line depreciation methodology.

Report in column 4 the depreciation expense for the reporting period on the assets reported in columns 1 and 2 utilizing a straight line depreciation methodology.

### **SCHEDULE E – COMPARATIVE BALANCE SHEET**

Report balance sheet information on Schedule E. 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. Total equity must equal the total from Schedule F – Reconciliation of Equity.

### **SCHEDULE F – RECONCILIATION OF EQUITY**

Schedule F presents the reconciliation of owners' equity between the beginning and end of the reporting period. In most cases, the beginning of period balances Line 850 (Total Equity Beginning of Period) will equal the end of period balances Line 865 (Total Equity End of Period) from the prior year financial report. Total revenue must be disclosed on Line 851 (Net revenues from Schedule A) and should agree with total revenue reported on Schedule A. The amount reported on Line 857 (Expenses per general ledger from Schedule C) should agree with total expenses reported on Schedule C. Amounts reported on unlabeled Lines 855, 856, 863 and 864 should be described in the space provided.

### **SCHEDULE G – RELATED PARTY TRANSACTIONS**

This schedule must be completed if you include costs, services, facilities or supplies furnished by a related party or organization on the financial report.

Name of Related Party or Organization Report in column 1 the name of each related party or organization using a separate line for each related party transaction.

Description of Service or Supplies Report in column 2 a description of the service or supply

provided by the related party or organization for each related party transaction.

Amount Report in column 3 the amount of revenue, expense, asset cost, etc for each related party transaction.

Schedule Report in column 4 the schedule for which each related party transaction is reported.

Line Report in column 5 the schedule line number for which each related party transaction is reported.

## **SCHEDULE H – NURSING FACILITY WAGES AND HOURS**

This schedule should include wages and hours for the nursing facility employees only. Wages and hours paid for non-nursing facility services should not be included on Schedule H. Wages and hours for outside contractors only need to be reported for outside contractors performing nursing services. Wages and hours do not need to be reported for outside contractors performing non-nursing services. Contracted services hours and wage rates for nursing services should be derived from invoices submitted by outside or temporary staffing agencies. This information is necessary to determine the nursing facility accountability measures.

Entry Level Hourly Wage For each line from Schedule C listed, calculate the corresponding starting hourly wage based upon the most current wage scales established as of the end of the financial reporting period. The basis for these calculations should remain consistent between periods.

Total Wages Schedule C - NF For each line from Schedule C listed, report the corresponding total nursing facility wages that should match the wages reported on Schedule C, Column 6.

Total Hours NF For each line from Schedule C listed, report the corresponding total nursing facility hours for the reporting period including continuing education, in-service training time, vacation, sick and holiday time.

Average Hourly Wage For each line from Schedule C listed, enter the corresponding average hourly wage during the financial reporting period. Calculate this amount by dividing the total wages by the total hours recorded. The basis for these calculations should remain consistent between periods.

Average Hours Per Patient Day For each line from Schedule C listed, enter the corresponding ratio to demonstrate staffing patterns during the financial reporting period. Calculate this amount by dividing the total hours recorded by the nursing facility patient days in the financial reporting period. The basis for these calculations should remain consistent between periods.

## **SCHEDULE H-1 – ASSISTED LIVING WAGES AND HOURS**

This schedule should be completed only if the facility has an assisted living grant. Include wages and hours for the assisted living employees only. Wages and hours paid for non-assisted living services should not be included on Schedule H-1. Wages and hours for outside contractors only need to be reported for outside contractors performing nursing services. Wages and hours do not need to be reported for outside contractors performing non-nursing services. Contracted services hours and wage rates should be derived from invoices submitted by outside or temporary staffing agencies.

Entry Level Hourly Wage For each line from Schedule C listed, calculate the corresponding starting hourly wage based upon the most current wage scales established as of the end of the financial reporting period. The basis for these calculations should remain consistent between periods.

Total Wages Schedule C-1 –Assisted Living For each line from Schedule C listed report the corresponding total assisted living wages that should match the wages reported on Schedule C-1.

Total Hours Assisted Living For each line from Schedule C listed report the corresponding total assisted living hours for the reporting period including continuing education, in-service training time, vacation, sick and holiday time.

Average Hourly Wage For each line from Schedule C listed, enter the corresponding average hourly wage during the financial reporting period. Calculate this amount by dividing the total wages by the total hours recorded. The basis for these calculations should remain consistent between periods.

Average Hours Per Resident Day For each line from Schedule C listed, enter the corresponding ratio to demonstrate staffing patterns during the financial reporting period. Calculate this amount by dividing the total hours recorded by the assisted living resident days in the financial reporting period. The basis for these calculations should remain consistent between periods.

Allocation of Staffing Time For each line in which staff performed services for assisted living and other programs, report the percentage of time spent performing services for each program i.e. assisted living, nursing facility, service development and other. Lines where staff spent all of their time performing services for the assisted living program should report 100% in the assisted living column. Documentation supporting this allocation must be maintained by the provider and available upon request by the Division or its contractors.

## **SCHEDULE I – FULL TIME EMPLOYEE RETENTION AND TURNOVER RATES**

While many providers only provide care to nursing facility residents, some provide services to other resident types (e.g. assisted living, residential, etc.). In this situation, the total number of W-2s reported should correspond with the total salaries and wages reported on Schedule C of the financial report for all service settings.

Total number of W-2s Report the total number of W-2s issued for the most recently completed calendar year.

Adjustment: Number of W-2s for temporary or part-time employees Report the number of temporary or part-time employees (based on company policy) included in the total number of W-2's on Schedule I, Line 1.

Total number of full time employees who worked anytime during the year Report the total number of full time employees who worked during the most recently completed calendar year.

Adjustment: Number of full time employees hired during the year Report the number of full time employees hired after January 1 of the most recently completed calendar year included in the total number of full time employees reported on Schedule I, Line 3.

Total number of full time employees who were employed at the start of the year Report the total number of full time employees who were employed on January 1 of the most recently completed calendar year.

Adjustment: Number of full time employees separated anytime during the year Report the total number of full time employees whose employment was terminated for any reason during the most recently completed calendar year.

Number of full time employees who worked the entire year Report the total number of full time employees who were employed on January 1 of the most recently completed calendar year and worked the entire calendar year.

## **SCHEDULE I-1 – NURSING FACILITY ANNUAL CALCULATION OF EMPLOYEE TURNOVER**

The total number of employees and total number of terminations for each month should be reflective of the nursing facility employees only. The data reported should correspond to the total salaries and wages reported on Schedule H of the financial report. This report should correspond to each facilities individual fiscal year end.

Total Number of Employees on the First day of each Month The total number of employees working in each job classification on the first day of the month should be reported. Employees are only those that receive payroll checks. The number should include full time, part time and seasonal / casual employees. The count should not include consultant, contract, or agency staff.

An "Other" Category is provided for those employees that may not fit the listed classifications. However, report each employee only once. Organizations that employ licensed therapists should include them here.

Assistant Administrator(s) or Assistant Director(s) of Nursing should be included with those classifications.

Direct Care workers other than Certified Nurse Aides, such as Medication or Rehab Aides, should be classified and reported with the Certified Nurse Aides.

Total Number of Terminations Each Month Report the total number of employees whose employment was terminated, for that type of service, for any reason during the month. This includes reporting terminations for employees whose salaries may be reported on different lines of the cost report. For example, a Certified Nurse Aide is considered terminated on line 43, during the month finished additional classes and became a Licensed Practical Nurse. That employee then is added to line 42 as an employee on the first day of the next month.