

STATE OF INDIANA

**FAMILY AND SOCIAL SERVICES ADMINISTRATION
OFFICE OF MEDICAID POLICY AND PLANNING**

Instructions for the Home Office Medicaid Financial Report for Non-State Owned Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) and Community Residential Facilities for the Developmentally Disabled (CRFs/DD)

GENERAL INSTRUCTIONS

These instructions are for use under provisions of the Rate Setting Criteria (405 IAC 1-12) for Non-State Owned ICFs/MR and CRFs/DD that are certified as Medicaid providers by the State of Indiana, Family and Social Services Administration, Office of Medicaid Policy and Planning (OMPP). 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). The Home Office Financial Report form should be used by Non-State Owned ICFs/MR and CRFs/DD that are part of a multiple facility or chain organization that reports home office costs on the Financial Report for Non-State Owned ICFs/MR and CRFs/DD. Please refer to the Instructions for the Medicaid Financial Report for Non-State Owned ICFs/MR and CRFs/DD. Computerized alternatives to the Home Office Financial Report form prescribed by the OMPP must receive prior approval before they will be accepted. Contact the rate setting contractor for the approval process.

Please complete the following form to report total allocated home office expenses and the method used to allocate these expenses to the individual facilities. One copy of the financial report should be submitted for each home office at each rate effective date. The cover letter submitted with the financial report should make clear reference to the report, and should also clarify which facilities it applies to.

SPECIFIC INSTRUCTIONS

Schedule P -- Schedule of Home Office Expenses

Report total Home Office expenses and the method used to allocate Home Office expenses to the individual facilities as defined by the criteria at 405 IAC 1-12-3(f).

Line 1 Report total Home Office expenses per the statement of income or the general ledger. Please note that a statement of expenses which details each home office's total expenses must be submitted with each

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Home Office financial report.

- Line 2 - 12 Itemize the adjustments which were made to calculate patient/resident-related Home Office expenses. All expenses not related to patient or resident care should be identified and removed. Care should be taken to identify and allocate expenses to other business activities and out-of-state facilities.
- Line 13 This line should equal the total amount of patient/resident-related Home Office expenses allocated to the financial reports of the individual facilities certified to participate in the Indiana Medicaid Program.
- Line 14 Give a brief explanation of the method used to allocate Home Office expenses to the individual facilities. The detail of the allocation should be indicated on the Home Office Allowable Expense Allocation, Schedule Q.

Schedule Q -- Home Office Allowable Expense Allocation

In columns 1 and 2 list the provider number and name of all facilities to which you have allocated Home Office expenses.

Column 3 should list the allocation base in fractional form. For example, if the allocations are based on patient/resident days, the allocation base column should contain the following information:

$$\frac{\text{patient/resident days this facility}}{\text{patient/resident days all facilities}}$$

The allocated Home Office expense column 4 should report the home office expenses allocated to each facility. The amounts reported in this column for each facility should agree with the amounts reported on Schedule R, Line 498 for that facility. The total of column 4 should agree with the amount reported on Schedule P, line 13.

Schedule R -- Schedule of Allowable Home Office Expenses

Report all allowable Home Office expenses and hours worked for each facility to which the Home Office provides services. Home Office hours worked allocated to facilities should be reported on Schedule E column 1 of the Financial Report for Non-State Owned ICFs/MR and CRFs/DD. Please note that an expense item does not lose its reporting or reimbursement characteristic by

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being a part of a home office cost center. If an item is subject to a ratesetting limitation at an individual facility level then it is also subject to the same limitation if incurred by a Home Office. Attention is directed to the Instructions for the Medicaid Financial Report for Non-State Owned ICFs/MR and CRFs/DD and Criteria for identifying the proper line numbers. Should more facilities exist than there are columns on the form, make extra copies of the form and complete the total cost columns 7 and 8 only on the last pages.

Line 498 -- Grand Totals The grand total for each facility should agree with the amounts reported on Schedule Q - Home Office Allowable Expense Allocation for that facility. The grand total of all facilities' allocated Home Office expense should agree with the amount reported on Schedule P, Line 13.

Schedule S -- Analysis of Home Office Property

List, on the appropriate line, the total historical cost of patient/resident-related Home Office property in column 2 as defined by the criteria at 405 IAC 1-12-3. The requirements of the Criteria for the reporting of patient/resident-related property for reimbursement must be met. The historical cost of property at the beginning of the period should agree with the ending balance on the previous annual report.

Schedule S of the annual financial report should only contain property additions and disposals that were put into patient/resident-related service during the provider's reporting year. Additions or disposals that exceeds \$5,000 require an additional attachment that provides the following information: date the asset was placed into service or disposed, description and purpose of property, location, and cost basis.

The reporting and recordkeeping requirement at 405 IAC 1-12-16(a) must be met. If there is any property that is related to other activities and not to patient or resident care, it must be eliminated from Schedule S. In the case of property jointly used for patient or resident care and other purposes, include the portion related to patient or resident care and attach an explanation of the allocation method. Property acquired from a related party must be restated at the cost to the related party (not to exceed fair market value).

Asset balances (including additions and disposals) of owner expense property defined in 405 IAC 1-12-20(c) should be included on line 656 -- Owner Expense property. Property used jointly by both owners and nonowners must be allocated. Reimbursement for vehicles is limited pursuant to 405 IAC 1-12-8(b). Refer to Schedule S and the Criteria for appropriate information to report regarding vehicle limitations.

It is recommended that an extra copy of the tax depreciation schedule be utilized as a worksheet. Each item of property on the depreciation schedule should be reviewed for proper inclusion in

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accordance with the Criteria and, if proper, identified by the appropriate line item category (line 651, 652, etc). These items can then be added together to get totals by Schedule S line item. Do not send detailed worksheets or depreciation schedules unless requested by OMPP or its audit or rate setting contractors.

Schedules T and U -- Analysis of Home Office Property Financing and Leased Property

Identify each financing or leasing component used to acquire or rent Home Office patient/resident-related property. This can be done by reviewing the general ledger, financial statements, and financing instruments such as leases, mortgage notes and other agreements. Each separate component (each separate mortgage, property loan or lease) should be entered in a separate column in either Schedule T or U. Do not send the lease, loan or other agreements unless requested by OMPP or its audit or rate setting contractors. Whenever possible, use the same components and columns as were used in the prior year. If more components exist than there are columns, make extra copies of the form.

Enter the answers to each question in the appropriate space. Many items are dollar amounts or dates. Enter dates in the form MM/DD/YY (Month/Day/Year). Most other questions can be answered with two or three words. If more space is needed, an explanation should be attached. If there are any property financings or leases that are related to other activities and not to patient or resident care, they must be eliminated. In the case of property financings or leases jointly used for patient or resident care and other purposes, include the portion related to patient or resident care and attach an explanation of the allocation method.

Line 718 -- Term of Loan-Amortization Period in Months This line refers to the period of time used in determining the amount of debt service payment. For example, if the periodic debt service payment was based on an amortization period of 25 years, enter "300" in line 718 even if the loan is due in 10 years and must be rewritten at that time.

Line 766 -- Leased Property Included in Historical Cost of Patient/Resident Related Property The cost of certain leased property should be included on Schedule S. Property obtained through leases with related parties (line 762 is answered Yes) should be reported on Schedule S at the lower of the cost to the related party or fair market value at the date of lease. Any related lessor's financing associated with the lease property should be reported on Analysis of Home Office Property Financing, Schedule T. The cost of property acquired through capital leases with unrelated parties, and any attendant property financing, should also be included on Schedules S and T respectively. No other leased property should be included on Schedules S and T.

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Schedule V -- Home Office Balance Sheet

Report balance sheet information on Schedule V. Account balances should be reported as of the beginning and end of the cost reporting period. In most cases, the beginning of period balances will equal the end of period balances from the prior year cost report. Any deviations from this should be fully explained in an attachment. General ledger account balances should be summarized on the lines of Schedule V that best describe the nature of the accounts. It is essential that general ledger accounts are summarized on Schedule V in a consistent manner. Amounts reported on unlabeled "other" lines 822, 823 and 848 should be fully described in an attachment. Amounts reported on lines 817, 818, 819, 846 and 847 should also be explained in an attachment. If more space is needed, include the required explanations in an attachment or the cover letter. Confirm that amounts reported on lines 818 and 819 are not reported on Schedule S; and that amounts reported on line 846 are not reported on Schedule T.

The type of balance sheet should be noted by checking the appropriate box on question [80100], and an attachment should be submitted describing the balance sheet information reported. The Home Office Only box is for reporting balance sheet information associated only with the overhead accounts of a central office. The Consolidated box should be checked if the balance sheet information submitted is associated with a consolidation of all central office and facility accounts. The Combined box should be checked if the balance sheet information submitted is a combination of central office accounts associated with Non-State Owned ICFs/MR or CRFs/DD and other non-patient/resident-related operations. Regardless of the type of balance sheet information presented, a full disclosure of the entities included in the balance sheet must be submitted in a separate attachment.

Schedule W -- Home Office Reconciliation of Owners Equity or Fund Balance

Schedule W presents the reconciliation of Home Office owners equity or fund balance between the beginning and end of the reporting period. In most cases, the beginning of period balances line 901 will equal the end of period balances line 940 from the prior year cost report. The amount reported on line 920 should agree with total expenses reported on Schedule P. If these amounts do not agree, a separate schedule should be submitted to fully disclose the differences. Amounts reported on unlabeled "other" lines 909, 910, 924, 925 and 926 should be fully described. If the space provided in the financial report is not adequate for full disclosure, include the required explanations in a separate schedule or the cover letter.

Certification Statement

After adequate review of the completed form, the certification statement must be signed by a responsible person having authorization from the controlling body (board, owner, etc.) of the

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facility to make such representations. The financial report submitted to the rate setting contractor must contain original signatures. The existence of a preparer shall be considered authorization from the facility for the OMPP and rate setting and audit contractors to discuss the annual financial report and other rate matters with the preparer. Any instructions to the contrary must be in writing from the facility.

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