S T A T E O F I N D I A N A

F A M I L Y A N D S O C I A L S E R V I C E S A D M I N I S T R A T I O N
O F F I C E O F M E D I C A I D P O L I C Y A N D P L A N N I N G

Instructions for the Medicaid Home Office Financial Report for Nursing Facilities

GENERAL INSTRUCTIONS

These instructions are for use under provisions of the rate setting criteria (405 IAC 1-14.6) for nursing facilities 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 should be used by nursing facilities that are part of a multiple facility or chain organization that reports home office costs on the Nursing Facility Financial Report. Please refer to the instructions for the Nursing Facility Financial Report. Computerized alternatives to the Home Office Financial Report prescribed by the office 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 nursing facilities. One copy of the Home Office Financial Report for Nursing Facilities should be submitted for each home office at each facility's annual effective date. The home office reporting period must coincide with the nursing facility reporting period. The cover letter for each home office should reference all nursing facilities affected by the Home Office Financial Report.

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 nursing facilities as defined by the criteria at 405 IAC 1-14.6-3(f).

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

Line 2 - 12 — Itemize the adjustments which were made to calculate patient related home office expenses to be allocated. All expenses not related to patient care should be identified and removed. Care should be taken to identify and allocate expenses to other non-nursing facility business activities and out-of-state facilities.

Line 13 This line should equal the total amount of patient related home office expenses allocated to the individual nursing 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 nursing facilities. The detail of the allocation should be indicated on Schedule Q -- Home Office Allowable Expense Allocation.

Schedule Q -- Home Office Allowable Expense Allocation

In Columns [01] (AIM Number) and [02] (Facility Name or Location) list the provider's AIM number and name of all nursing facilities to which you have allocated Home Office expenses.

Column [03] (Allocation Base) must include the allocation base utilized in numerical form. The allocation base (i.e. numerator) must be listed for each facility in Column [03] next to each corresponding facility with the total for all allocations (i.e. denominator) specified on the Total Allocation Basis line.

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. Changes in allocation basis must be approved by the OMPP or its designee prior to implementation. Requests for changes in allocation bases must be submitted to OMPP for approval at least ninety (90) days prior to the reporting period to which the change applies.

The allocated home office expense Column [04] (Allocated Home Office Expense Line 498, Schedule R) should report the home office expenses allocated to each nursing facility. The amounts reported in this column for each nursing facility should agree with the amounts reported on Schedule R, Line 498 (Grand Total) for that nursing facility. The total of Column [04] should agree with the amount reported on Schedule P, Line 13 (Total Allowable Home Office Expenses to be Allocated) and Schedule R, Line 498, Column [08] (Grand Total).

Schedule R -- Schedule of Allowable Home Office Expenses

Report all allowable home office expenses and hours worked for each nursing facility to which the Home Office provides services. Home office hours worked allocated to nursing facilities should be reported on Schedule E, Column [01] (Hours Worked) of the Nursing Facility Financial Report. Please note that home office costs and hours are subject to the same rate setting limitations as costs or hours incurred at the facility level and should be reported appropriately. Please refer to the Instructions for the Medicaid Nursing Facility Financial report and the criteria to determine appropriate reporting. Should more nursing facilities exist than there are columns on the form, make extra copies of the form and complete the total cost Columns [07] and [08] (Total Costs) only on the last pages.

> Line 498 -- Grand Totals The grand total for each nursing facility should agree with the amounts reported on Schedule Q -- Home Office Allowable Expense Allocation for that nursing facility. The grand total of all facilities' allocated Home Office expense should agree with the amount reported on Schedule P, Line 13 (Total Allowable Home Office Expenses to be Allocated) and the total amount reported on Schedule Q, Column [04] (Allocated Home Office Expense Line 498, Schedule R).

Schedule S -- Analysis of Home Office Property

List in Column [02], on the appropriate line, the total historical cost of patient related home office property at the beginning of the period. The total historical cost of patient related home office property at the beginning of the period should agree with the ending balance of the previous report. Inconsistencies between the prior period ending balance and the current period beginning balance should be fully explained in an attachment. Columns [02] and [03] should only contain property additions and disposals which occurred during the reporting period. If additions exceed twenty-five percent (25%) of the historical cost of patient related home office property at the beginning of the period, the following detail should be submitted for each addition or disposal with an historical cost in excess of $5000: date the asset was placed in service or disposed of; description and purpose of property; location; and, cost basis.

Reimbursement for vehicles is limited pursuant to 405 IAC 1-14.6-8(b). Each home office shall be allowed only one (1) patient care related vehicle. This limitation does not apply to vehicles with a gross weight in excess of six thousand (6,000) pounds. Additionally, please note that all expense associated with non-allowable vehicles should not be reported on Schedule R, but should, instead, be eliminated on Schedule P.

The requirements of 405 IAC 1-14.6-14(a) must be met. If any property is not related to patient care, it should not be reported on Schedule S. If property used for patient care is also used for non-patient care related purposes, report only the portion attributable to patient care and submit an explanation of the allocation method used to derive this portion. Property acquired from a related party must be restated at the lower of cost to the related party or the fair market value of the property.

It is recommended that a copy of the fixed asset schedule be utilized as a worksheet. Each asset should be reviewed to determine if inclusion on Schedule S is appropriate based upon the restrictions and requirements of the criteria, these instructions and GAAP. If inclusion is appropriate, the property should be reported on the line which best describes the property. Items can then be added together to arrive at totals by Schedule S line. Do not send detailed worksheets or fixed asset schedules unless requested by OMPP or its audit or rate setting contractor.

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

Identify each financing or leasing component used to acquire or rent home office patient 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 (Analysis of Home Office Property Financing) or U (Schedule of Home Office Leased Property). Do not send the lease, loan or other agreements unless requested by OMPP or its audit or rate setting contractor. 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. 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 care, they must be eliminated. In the case of property financings or leases jointly used for patient care and other purposes, include the portion related to patient care and attach an explanation of the allocation method.

Line 766 -- Leased Property Included in Historical Cost of Patient 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 Schedule T -- Analysis of Home Office Property Financing. 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.

Line 783 -- Term of Lease in Months This line refers to the initial term of the lease. Optional extension or renewal periods should not be included.

Schedule V -- Home Office Balance Sheet

Report balance sheet information on Schedule V -- Home Office Balance Sheet. 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 discrepancies 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 (All Loans to Owners, Officers, & Related Parties), 818 (All Assets Not Related to Patient Care), 819 (Assets Held for Investment), 846 (Property Financing Not Related to

Patient Care) and 847 (All Loans from Owners, Officers, & Related Parties) 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 nursing facilities and other non-patient 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 -- Home Office Reconciliation of Owners' Equity or Fund Balance 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 (Beginning of Period Balance) will equal the end of period balances on Line 940 (End of Period Balance) from the prior year home office cost report. Any discrepancies should be fully explained in an attachment. Total revenue must be disclosed on Line 905 (revenues Per Financial Statement or Tax Return). The amount reported on Line 920 (Expenses Per Financial Statements or Tax Return) 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 facility to make such representations. The certification statement 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.