



Jack Dalrymple, Governor
Maggie D. Anderson, Executive Director

July 20, 2016

TO: All Nursing Facilities

FROM: Sheila M. Reich, Lead Manager
Fiscal Administration-Provider Audit

The general information sheet and cost report forms are on-line at the following Website: www.nd.gov/dhs. On the left side of the web page, select **"Providers."** On the 'Providers' web page select **"Medical Services Provider Information."** Select **"Accept"** to agree to the 'End Users Agreement for Providers.' On the 'Medicaid Provider Information' web page, under "Reimbursement Information" select **"Facility Cost Reporting."** Under 'Cost Report and Budget Report Information for Providers' select **"Nursing Home Facilities: Report Documents"**. Under 'Provider Report Documents, Nursing Home Facilities:' select **"Nursing Facility Cost Report and Instructions."**

Complete the cost report consistent with the Rate Setting Manual for Nursing Facilities. The information establishes rates beginning January 1, 2017. We review the cost report for consistency in adjustments based on our review of the previous cost report. We convey the differences to the nursing facility's contact person, who communicates the adjustments to the person(s) preparing the cost report and to the facility's administrator.

In order to facilitate the processing and review of your facility cost report, submit copies of the following additional information:

- A letter, signed by the administrator and the facility's accounting firm, authorizing access to the preparer's work papers;
- Work papers supporting the accumulation of data for the cost report;
- The audit report of the facility's financial records; the audited statement of rates charged to private pay residents; the information on charges to residents in addition to the basic daily rate for the report year-end, and the June 30 adjusting and reversing entries;
- A work paper reconciling the June 30, 2016 revenues and costs to the latest audited financial statements and a copy of the June 30 accrual adjustments for facilities with a fiscal year-end other than June 30. An example of a work paper format, used to prepare the reconciliation, is located on-line at the following website: www.nd.gov/dhs;
- A reconciliation of audited amounts to reported amounts when the amounts included on "Cost Reported on Fiscal-Year-End Financial Statements" reconciliation workpaper does not agree to the audited financial statements amounts; the revenues reflected in the financial statements for facilities, on other than a June 30 year-end, that cannot reconcile the revenues to their records;
- A working trial balance or general ledger that ties to the reconciliation of costs;
- A work paper identifying the account number, description, amount and, total amount for any combination of accounts that appear on Schedule C-4;

- The work papers reclassifying costs from the general ledger accounts into categories for inclusion in the cost report;
- The depreciation schedules;
- The new loan agreements and amortization schedules;
- The square footage map or floor plan, for facilities with allocations, identifying all square footage that ties to the square footage allocation workpaper;
- Work paper identifying all dues, advertising, and contributions included as allowable;
- Work paper identifying all Medicaid Expansion services covered under section 12.22. of the Rate Setting Manual for Nursing Facilities, paid for by the facility, which the Department pays directly to an outside provider;
- A copy of the Medicare Provider Statistical and Reimbursement System (PS&R) Report #: OD44203, with Paid Dates July 1, 2015 Thru June 30, 2016 and Report Run Date of approximately September 30, 2016 must be submitted by October 7, 2016 to Fiscal Administration Provider Audit, 1600 E. Century Avenue Suite 5, Bismarck, ND 58503; and
- Any documentation for unforeseen costs or projected costs not submitted with your cost report, which is due on or before October 1, 2016, will not be included in the rates established effective January 1, 2017.

Schedule A, General Information and Certification, reports general facility information and certification. For occupancy information, any facilities that had beds out of service due to a renovation or a construction project, compute, on a separate schedule, the number of available bed days during the year and attach the computation to Schedule A. For example, if six beds in a 40 bed facility were not available for use for 90 days, 540 (6 x 90) days would be excluded from the total beds 14,600 (40 x 365). This information affects the computation of the 90 percent occupancy rule.

For certification, complete and sign Schedule A. The administrator and certified public accountant (CPA), if prepared by CPA, must sign the page. The original signatures must accompany the cost report. A complete copy of the cost report must be printed and sent along with Schedule A.

As mentioned in the September 14, 2012 Medical Services' letter to nursing facilities, the following process is effective beginning with the June 30, 2012 cost report and will remain in effect for future cost reporting periods until further notice:

- Requests for more information during the desk review will be sent to the e-mail address identified on Schedule A of the cost report. The timeliness of responses to the request for information will help ensure your facility's desk rates are issued on time.
- Adjustments based on the desk review will be sent electronically to the e-mail address on Schedule A of the cost report.
- Your response to adjustments made based on the desk review must be received by Provider Audit within seven working days of the notification of the adjustments. If a response is not received within seven working days the desk rates will be issued based on the adjustments made during the desk review.

Schedule B-1, Census Data, reports the number of resident days by type, i.e. in-house or leave, on a monthly basis by licensed section. Schedules B-2a and B-2b, Case Mix Census Data, report the facility's census by classification. The Department's MDS 3.0 data from the Department's file will be available during August for download. Reconcile Schedules B-2a and B-2b to the Department's MDS 3.0 Census by Classification prior to submitting the cost report and send the reconciliation along with the cost report.

Schedules B-3a and B-3b, Case Mix Census Data by Payor Sources, report census days by source of payer for the forty-eight levels of care for the nursing facility. Payor sources include Medicaid, private pay (which includes Medicaid Expansion), Medicare, and waived. Schedules B-3a-b, census by payor source, should at least be completed for all licensed nursing home beds. Private pay includes Medicaid Expansion residents, since Medicaid Expansion is private-pay insurance.

Schedules C-1, Cost Summary and Allocation, and C-4, Statement of Facility Cost, include the salaries and the related fringe benefits for noncertified assistants as an indirect cost such as in housekeeping. The time associated with noncertified assistants feeding residents is included in direct care.

Schedules C-2, Allocation with Direct Costs, provides for allocation of cost center components, if a cost center is to be partially direct costed and partially allocated. If the costs are allocated based on the methodology set forth in Section 11, Cost Allocations of the Rate Setting Manual for Nursing Facilities; this schedule is not necessary.

Schedules C-3, Statistical Data, in determining the percentage of total adjusted costs for the allocation of administration costs, exclude property, administration, chaplain, and utility costs prior to determining the allocation. Utility costs include the allowable cost of heating and cooling, electricity, water, sewer and garbage (including biohazard waste), and cable TV.

Schedule C-9, Nursing Facility Questionnaire, provide the information on the questionnaire. Answer all questions and provide all information requested on the questionnaire. Previously, Provider Audit contacted each facility during the desk review to ask these questions or request the information.

Pay particular attention to the additional items regarding noncapitalized equipment and direct / indirect care contract services / consultants added to Schedule C-9. Item number 7 through 17 may require appropriate adjustments or reassignments on Schedule D-1.

Schedule D, Adjustments Summary, use one column for each adjustment made on Schedules D-1 to D-4. For additional columns, copy the summary.

Schedules D-1 to D-4, Adjustments, offset the Medicare Part B therapy revenue based on the PS&R report or the Medicare cost report, Worksheet D Parts I, II, or III of CMS 2552-96, if used for final settlement by Medicare. In addition, final or preliminary settlement letters determine whether Medicare has allowed all of the ancillary charges in their computation of settlement.

When establishing the Medicaid rate, adjust costs for Medicare and Medicaid Expansion services, i.e. under section 12.22. of the Rate Setting Manual for Nursing Facilities, paid for by

the facility, which the Department pays directly to an outside provider, such as prescription drugs, and laboratory and x-ray costs.

For rate setting purposes, per the November 1, 2000 Medical Services memo, exclude ventilator rental costs from allowable costs. Identify ventilator rental costs as nonallowable under Section 12.22. of the Rate Setting Manual for Nursing Facilities, since the Department pays the costs directly.

Medicare Part D covers the costs of some diabetic supplies. For rate setting purposes, exclude diabetic supplies routinely covered under Medicare Part D including syringes, needles, swabs, and insulin.

Schedules D-5, Top Management Compensation, and G, Compensation, limit the compensation of the top management personnel to the highest market-driven compensation of an administrator employed by a freestanding facility during the report year. This limitation applies prior to any allocation of costs to the facility.

For any top management personnel, complete Schedules D-5 and G and send with the cost report. Since we will not know the limit until all cost reports arrive, use \$230,674 limit from last year as a preliminary amount. Provider Audit Unit determines any further adjustment. If there are a large number of individuals, submit a list that identifies the individual, total compensation, and percent allocated to the facility. Sequentially number the list without identifying an individual's name or position and include a comment that the individual computations of compensation are available for review.

In addition, for rate setting purposes, alcohol and tobacco products are included as nonallowable under section 12 of the Rate Setting Manual for Nursing Facilities.

Schedule J Depreciation, complete the depreciation schedule using the American Hospital Association's guidelines as published by American Hospital Publishing, Inc. in "Estimated Useful Lives of Depreciable Hospital Assets," Revised 2013 Edition, since the department will be using these guidelines for rates effective from July 1, 2013 on.

Schedule O-1, Property Rate Adjustment, complete for facilities that have a projected property rate AND have twelve months of costs in the report year.

Schedules P, Employee and Contracted Labor Information, provide the information on costs and hours for various employees and contracted labor. Also, it requires providing salaries and hours included on schedule C-4 that are for the nursing facility.

Schedules Q-1, Q-2, and R, include with the cost report for those facilities that have flood related costs for year-end June 30, 2016 due to unforeseeable costs. Schedules Q-1 and Q-2 are for the flood evacuee sending facility and Schedule R is for the flood evacuee receiving facility. Instructions have been included with the cost report.

On Schedules S and S-1, Higher Education Costs, report allowable and nonallowable higher education costs on Schedules S and S-1; adjust nonallowable costs on Schedule D-2. Under section 12 of the Rate Setting Manual for Nursing Facilities, the cost of education cannot exceed an aggregate of \$15,000 per employee for the combined amount of the repayment of student loans and the expense related to current enrollment.

Schedule T, Bad Debt Costs, report all nursing facility bad debt costs on Schedule T. Adjust the nonallowable bad debt costs on Schedule D-3. In addition, it requires providing the breakdown of bad debt among Medicaid, Medicare, and private pay residents.

Support for the bad debt expense and the collection efforts must be provided. Provide a breakdown of the bad debt by month with number of days for each resident; support for reasonable collection efforts for each resident, and document that it has taken action to limit bad debts.

As a reminder, ***the cost report (including audited financial statements) is due on or before October 1, 2016*** to North Dakota Department of Human Services, Fiscal Administration Provider Audit. In order to avoid the possibility of penalties, take any precautionary measures necessary to substantiate the date of filing and to assure that all the required information is completed and submitted.

When the rates are established, Medical Services sends the rate computations and supporting data. Cost reports completed in accordance with the requirements will not require further adjustments during the review. If you have any questions, please feel free to call 328-7560.

Mail the cost report, all schedules, and copies of the additional information to:

North Dakota Department of Human Services
Fiscal Administration Provider Audit
1600 E. Century Avenue Suite 5
Bismarck, ND 58503