



**Fiscal Administration
- Provider Audit Unit**

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John Hoeven, Governor

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TO: All Nursing Facilities

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

The general information sheet and a cost report form, which is to be completed for your facility, are available on-line at the following website: www.nd.gov/dhs. On the left side of the screen, select "**Providers.**" On the 'Providers' screen select "**Medical Services.**" If you agree to the 'End Users Agreement for Providers' select "**Accept**" at the bottom of the screen. On the 'Medicaid Provider Information' screen, select "**Cost Reports.**" Under 'Cost Report and Budget Report Information for Providers' select "**Nursing Home Facilities: Report Documents**". Under 'Nursing Home Facilities' select "**Nursing Facility Cost Report and Instructions**".

The report is to be completed consistent with the Rate Setting Manual for Nursing Facilities. The information provided will be used to establish rates beginning January 1, 2009.

We will be reviewing the cost report for consistency in adjustments based on our review of the June 30, 2007 cost report. Differences will be communicated to the contact person for the facility who will be responsible for communicating the adjustments to the person responsible for preparing the cost report.

In order to facilitate the processing and audit of your facility cost report, the following additional information must be submitted:

- A letter, to be signed by the administrator and the facility's accounting firm, authorizing access to the preparer's workpapers.
- For facilities that have an outside accountant prepare their cost report, copies of workpapers supporting the accumulation of data for the cost report.
- A copy of the audit report of the facility's financial records and an audited statement of rates charged to private pay residents. Any information on charges to residents in addition to the basic daily rate for the report year and adjusting and reversing entries.
- For facilities with a fiscal year end other than June 30, a reconciliation of June 30, 2008 revenues and costs to the last financial statement, including June 30 accrual adjustments. An example of a workpaper format, used to prepare the reconciliation, is located on-line at the following website: www.nd.gov/dhs.

- If the amount included as a “Cost Reported on Fiscal Year End Financial Statements” on the workpaper does not agree to the audited financial statements amounts, then a reconciliation of audited amounts to reported amounts must also be provided.
- A working trial balance or copies of the general ledger that tie to the reconciliation of costs and a copy of the June 30 year end adjusting and reversing journal entries, identifying accruals and reversal of accruals.
- For any combination of accounts, a workpaper identifying the account number, description, amount and a total amount.
- Copies of workpapers used to reclassify costs from the general ledger accounts into categories for inclusion in the cost report.
- Depreciation schedules.
- Copies of new loan agreements and amortization schedules.
- For facilities with allocations, a copy of the square footage map identifying all square footage that ties to the square footage workpaper.
- Workpaper identifying all dues, advertising and contributions included as allowable.
- Facilities that did not use beds because of a renovation or construction project should prepare a separate computation on the number of available bed days during the year and attach the computation to Schedule A. For example, if 6 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.

The Department will be sending out census information during August based on the data on the Department’s file. This information should be reviewed and reconciled to your census data prior to submission of the cost report. The reconciliation should be sent with the cost report to the Fiscal Administration-Provider Audit.

Schedule B-1 is used to report the number of resident days by type, i.e. in-house or leave, on a monthly basis by licensed section; including licensed nursing facility, licensed basic care, including, basic care assistance (BCAP), basic care (BC) Alzheimer waiver, and basic care traumatic brain injury (BC TBI); licensed assisted living, licensed hospital, and other.

Schedules B-3a and B-3b are used to report census days by source of payer for thirty-four levels of care, including nursing facility, nursing facility private pay, nursing facility Medicare, basic care, including BCAP, BC Alzheimer waiver, BC TBI, and BC private pay; assisted living, hospital, and other.

Schedules D-5 and G need to be completed for all Top Management Personnel that exceed the highest market-driven compensation of an administrator employed by a freestanding facility during the report year and sent with the cost report. This limitation is applied prior to any allocation of costs to the facility. Since we will not know what the limit will be until all cost reports have been received, as a preliminary amount to be used for identifying individuals that the limit may apply to, we will use the \$214,880 limit from last year. The adjustment will then

have to be determined by the provider audit unit. Of special significance is the total compensation included in the costs prior to allocation to facilities and the percent allocated to the facility. Should the number of individuals involved be large, we will accept a listing that identifies the individual, total compensation, and percent allocated to the facility. This may be sequentially numbered without identifying an individual's name or position. The listing should include a comment that the individual computations of compensation are on file for review.

Medicare Part B therapy revenue offsets should be determined through the use of the provider statistical and reimbursement system report or the Medicare cost report, Worksheet D Parts I and II of CMS 2552-96, if used for final settlement by Medicare. Final or preliminary settlement letters issued should also be used to determine whether Medicare has allowed all of the ancillary charges in their computation of settlement.

If a facility, on other than a June 30 year-end, can reconcile the revenue portion to their records, we will accept the revenue reflected in the financial statements.

Medicare services paid for by the facility that are directly paid to an outside provider under the Medicaid program, such as laboratory and x-ray, are to be excluded from the costs under Section 12.22 of the Ratesetting Manual for Nursing Facilities, when establishing the Medicaid rate.

Ventilator costs are no longer included in allowable costs for ratesetting purposes per the November 1, 2000, Medical Services memo. Ventilator rental costs are now paid directly by the Department and any expenditures should be identified as nonallowable under Section 12.22 of the Ratesetting Manual for Nursing Facilities.

Diabetic Supplies routinely covered under Medicare Part D including syringes, needles, swabs, and insulin can no longer be include as allowable costs on the cost report. The costs for these diabetic supplies must be adjusted (for the entire year), since we are establishing a prospective rate and Medicare is now covering the cost of diabetic supplies.

Utilities costs should be excluded from the total costs prior to determining the percentage of total adjusted costs for the allocation of administration costs. Utilities costs include the allowable cost of heating and cooling, electricity, water, sewer and garbage and cable tv.

Except for the time associated with feeding residents, salaries and the related fringe benefits for noncertified assistants must be included as an indirect cost such as in housekeeping costs.

Property Rate Adjustment Schedule O-1 is to be completed for facilities that have a projected property rate effective on or after January 1, 1998 AND have twelve months of costs in the report year.

For ease of processing, use one column for each adjustment made on the Schedule D's, when preparing the summary of adjustments. Copy the summary if additional columns are needed.

Just as a reminder, ***your report is due on or before October 1, 2008.*** In order to avoid the possibility of penalties, we suggest that you take any precautionary measures deemed

necessary to substantiate the date of filing and to assure that all the required information is completed and submitted.

COST REPORT CERTIFICATION (Schedule A): This page must be completed and signed by the administrator and, if prepared by a certified public accountant, that person must sign the page. The original signatures must accompany the cost report. A complete copy of the cost report must be printed and sent in along with Schedule A.

The rate computations and supporting data, starting with your cost report amounts, will be sent to you after the rates have been established.

The percentages to be used as inflators were determined to be 5.00%.

If you have completed the cost report in accordance with the requirements, no further adjustments should have to be made at the time of the audit. If you have any questions, please feel free to call 328-7560.