

June 16, 2020

To: All North Dakota Nursing Facilities

From: LeeAnn Thiel, Medical Services Division

The 2020 Nursing Facility Cost Report template is available on our website at:

www.nd.gov/dhs/services/medicalserv/medicaid/report5.html

Complete the cost report, in accordance with the Rate Setting Manual for Nursing Facilities (July 2020). The manual will be posted on our website at:

www.nd.gov/dhs/services/medicalserv/medicaid/provider-all.html

The cost report and supporting documentation is due by October 1st. When completing the excel cost report the following instructions must be followed:

1. The cost report must be submitted electronically in excel format using the 2020 template.
2. Schedules that have the Not Applicable column grayed out on the Checklist must be completed.
3. Use only whole dollars and round all percentages to no more than eight decimal places. The cells highlighted in light blue are the cells that can be keyed in. All other cells are locked, and the entire sheet is password protected.
4. The excel cost report must have the following naming convention:
 - a. *[Nursing Facility]* 2020 cost report
5. On Schedule A, the MA Provider Number must be the facility's 7-digit Medicaid provider number
6. Additional C-2s must be submitted in a separate excel file with the cost report using the following naming convention:
 - a. *[Nursing Facility]* 2020 Additional C-2s
7. A census reconciliation must be submitted in a separate file using the following naming convention:
 - a. *[Nursing Facility]* Census Reconciliation 2020
8. Schedules B-2 and B-3 have been updated. Geropsych days and Nongeriatric physically disabled days must be reported in the labeled row.
9. Any supporting documentation submitted must be named with the nursing facility's name at the beginning of the document name.
10. Schedules with red reconciliation testing below or beside the worksheet must equal zero where indicated.
11. All links to outside worksheets/workbooks must be removed.
12. An allocation method on Schedule C-1 must be selected. If costs are 100% direct

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numbers 20 through 24 must be used.

13. Geropsych costs must be reported on Schedule C-4 in the Geropsych column. An adjustment on Schedule D-1 cannot be done to identify these costs.
14. Reclassifications must equal zero individually and in grand total on Schedules C-1 and D-2.
15. Special Schedules 1, 2 and 3 must be submitted in excel format with the cost report using the following naming convention:
 - a. *[Nursing Facility]* Special Schedules 2020

The top management compensation limit for the June 30, 2020 cost report is \$258,862.

The cost report will be returned to the provider and rates will not be issued by November 23rd if the above instructions are not followed. The administrator will receive an email with a link to upload the cost report and required documents before September 30th.

Bad debt supporting documentation must be submitted by August 15th using secure email. A determination of allowable bad debt expense will be made before September 30th. The allowable bad debt expense must be reported on Schedules T & C-4.

The following documents must be submitted with the cost report in order to facilitate the review of the cost report:

- A letter, signed by the administrator and the facility's accounting firm, authorizing access to the preparer's work papers;
- 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 established daily rate for the report year-end, and the June 30th adjusting and reversing entries;
- A work paper reconciling the June 30, 2020 revenues and costs to the latest audited financial statements;
- A working trial balance or general ledger that ties to Schedule C-4;
- Current crosswalk of the accounts on the trial balance to the Schedule C-4 line and column;
- A work paper identifying the account number, description, amount, and total amount for any combination of accounts that appear on Schedule C-4.
- A work paper detailing the weighted square footage (WSF) calculation(s). If the WSF calculation is different than the one submitted with the June 30, 2019 cost report a detailed description of the changes must be submitted with the WSF calculation(s).
- Depreciation schedules;
- New loan agreements and amortization schedules;

- A copy of the Medicare Provider Statistical and Reimbursement System (PS&R) Report #OD44203, with paid dates July 1, 2019 through June 30, 2020 and a report run date of approximately September 26th.
- Projected property costs must be submitted using schedule O in the cost report for projected property rates to be established effective January 1, 2021.

The following process during the desk review will continue to be used:

- 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 your response 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 on the desk review must be received by Myers and Stauffer 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.

Summary of Updates

The cost report has been revised to improve and ease both the preparation and audit review processes. Detailed instructions for each schedule are included later in this document. Here is a brief summary of the changes:

- Schedule A-2 – consolidated all cost report questions onto one schedule.
- Schedules B-2 – updated to report Nongeriatric physically disabled days on a separate line from respite care days.
- Schedule B-3 – a new line has been created for Geropsych days and Nongeriatric physically disabled days.
- Schedule C-1 – added a column for reclassifications from Schedule D.
- Schedule C-2a – this new schedule calculates the property and passthrough costs. Property components are determined within the property category schedule. Passthrough costs are transferred from Schedules S, T and U.
- Schedule C-3 – added specific numbers 20 through 24 for 100% direct only for all five entities. Number 10 for Property/Passthrough is linked to schedule C-2a.
- Schedule C-4 – added a separate column for passthrough costs.
- Schedule D – added separate columns for adjustments and reclassifications.
- Schedule D-2 – this new schedule is for all reclassification entries.
- Schedule D-5 – added more columns to allow for multiple administrators in one year.
- Schedule H – previous schedules H-1 and H-2 have been combined.
- Schedule I – previous schedules I-1 and I-2 have been combined.

- Schedule O - updated to separate property and passthrough costs and to link the historical costs to Schedule C-2a.
- Schedule O-1 – updated to separate property and passthrough costs.
- Schedule S – previous schedules S and S-1 have been combined. These amounts automatically transfer to Schedule C-2a.
- Schedule T – this schedule was included to record allowable bad debt in summary. These amounts automatically transfer to Schedule C-2a.
- Schedule U – revised to allow for reporting of direct and shared costs. These amounts automatically transfer to Schedule C-2a.

Cost Report Instructions

Checklist

- The checklist must be completed and returned with all other schedules.

Schedule A

- Schedule A provides for the completion of general, licensing, occupancy and room type information, and an administrator's and accountant's certification. The number of rooms by type must equal the total licensed number of beds. The MA Provider Number must be the facility's 7-digit Medicaid provider number. For certification signature, print, sign and date. Return as a PDF file.
- Do not enter anything in cell I3, this is for state use only.

Schedule A-1

- Schedule A-1 provides for the reporting of all fees and charges for private pay residents. The schedule is to be completed using rates and charges effective on or after the beginning of the current rate period. The effective date is the date the facility implemented the charges. If private pay fees and charges differ from room to room provide a fee schedule for each room. Please attach any additional information related to private pay fees and charges which is not included above.

Schedule A-2

- Schedule A-2 contains questions relating to the cost report. The census portion should be completed prior to completing schedules B-1 and B-2, in order to allow potential necessary adjustments to be made to the accumulated information on B-1 and B-2. Be aware that certain questions may require adjustments on Schedule D-1.

Schedule B-1

- Schedule B-1 is used to report the number of resident days by type, e.g., in-house or leave, on a monthly basis by licensed section; including Nursing Facility, Basic Care,

Assisted Living, Hospital, and Other. Leave days include hospital and therapeutic leave days.

Schedules B-2

- A census reconciliation must be submitted in a separate file with the cost report filing. The reconciliation file must be named:
 - *[Nursing Facility]* Census Reconciliation 2020
- Geropsych and nongeriatric physically disabled days must be included in the labeled row.
- Schedule B-2a is used to determine the facility's average case mix weight for the year ended June 30. Schedule B-2a case mix days should agree to or be reconciled to the facility's June 30 case mix report.
- Schedule B-2b is used to report all leave days (days claimed as resident days regardless of remuneration) by classification and by month. All bed hold days, including hospital, therapeutic and institutional leave days, must be reported on Schedule B-2b.
- Schedules B-2c and B-2d relate to sending and receiving facility census due to emergency evacuations.

Schedule B-3

- Schedule B-3 is used to report census days by source of payer for MDS level of care, including nursing facility private pay, Veterans Administration, nursing facility Medicare, nursing facility Medicaid, basic care assistance, basic care private pay, assisted living, hospital, and other. Private pay includes Medicaid Expansion residents since Medicaid Expansion is private-pay insurance. Geropsych and nongeriatric physically disabled days must be included in the labeled row and appropriate payer source column. Hospice days must be included in the appropriate payer source column. Do not report Hospice in the Other column. Total days must equal Total Days on Schedule B-1.

Schedule C-1

- Schedule C-1 provides for the total costs by cost center summarized on Schedule C-4, reclassifications & adjustments summarized on Schedule D, and for the subsequent allocation of costs using statistics as appropriate from Schedule C-3.
- An allocation method # must be selected for each cost center.
- The Property/ Passthrough Costs allocation method # is hard coded to 10.
- Allocation methods #20 through #24 must be used if the costs are 100% directly identified to Nursing Facility, Basic Care, Assisted Living, Hospital or Other.

Schedule C-2a

- Schedule C-2a must be completed for all property & passthrough costs. This schedule contains sections within it to calculate the allocation of property costs between Nursing Facility, Basic Care, Assisted Living, Hospital and Other.
- There is a separate section for each of the property components consisting of depreciation, interest expense, property taxes and specials, lease and rentals and startup costs along with statistics.
- Make certain that adjustments and reclassifications are entered on this schedule in the proper cost component section.
- The Property Costs Allocation Statistics section must be completed for any statistic used in the component cost allocations.
 - Document Reference – identify where the statistics come from i.e. Sch C-3 and to supporting workpapers such as WSF.
 - Allocation Method - a unique brief description of the allocation method.
 - Allocation Wkst. Name - a drop-down box for the component using the statistic. This must be entered more than once if used in more than one component.
 - Nursing Facility, Basic Care, Assisted Living, Hospital and Other - are used to report the statistic percentage. The percentages must total 100%.
- The Cost Component sections must be completed if applicable.
 - GL Description – a brief description of the general ledger account.
 - Allocation Method – use the drop-down box to enter the allocation method used in the Allocation Statistics section. Use DIRECT allocation method for any costs that are not to be allocated and directly placed in the column.
 - Allocation Wkst Amount – total amount to be allocated based upon the allocation method statistic chosen.
 - Nursing Facility, Basic Care, Assisted Living, Hospital and Other – are used to enter direct costs and to allocate costs. The total allocated costs must equal the total prior to allocation on each line.
- Enter direct costs on Direct line in the proper column.
- Allocated costs are automatically calculated from the statistics above in combination with the allocation method name.
- All adjustments on C-2a must be reported on Schedule D-1.
- All reclassifications on C-2a must be reported on Schedule D-2.
- Schedules S, T and U automatically transfer to schedule C-2a. These schedules must be completed as well if applicable.

Schedule C-3

- Schedule C-3 provides statistical data to be used to allocate costs for a combination facility, or a facility with non-resident related activities.

- Detailed work papers supporting the facility's accumulation of the statistical data must be submitted if any calculations were necessary to accumulate the data.
- Schedule C-2a automatically transfers to Schedule C-3.
- Use Schedule C-3 #20, #21, #22, #23, #24 for 100% direct allocation to Nursing Facility, Basic Care Facility, Assisted Living Facility, Hospital and Other.
- Other allocations must be identified and supported by a Schedule C-2.

Schedule C-4

- Schedule C-4 provides facility cost information which must tie to the trial balance submitted with the cost report. Fringe benefits must be reported on schedule C-5.

Schedule C-5

- Schedule C-5 provides information on fringe benefits. Where the facility directly assigns fringe benefits, the costs should be entered in the direct column. Fringe benefits not directly assigned will be allocated to the various cost centers based on the percent of salaries to the total salaries. Costs identified in the total column by cost center will automatically transfer to Schedule C-4.
- Only costs as defined in the Rate Setting Manual for Nursing Facilities, Section 1.25 and 1.33 can be included as fringe benefits.

Schedule C-6

- Facilities with fiscal years differing from the report year must submit work papers detailing the reconciliation of costs reported.

Schedule C-7

- Schedule C-7 identifies revenue by general ledger account number.
- A trial balance that lists all revenue accounts by account number, name, and amount may be submitted in lieu of Schedule C-7.

Schedule C-8

- Schedule C-8 reconciles total revenue from Schedule C-7 to total financial statement revenue.

Schedule D

- Schedule D summarizes all adjustments and reclassifications made on Schedules D-1 and D-2 by cost components within the cost centers. The amounts on Schedules D-1 & D-2 are automatically transferred to Schedule C-1.

Schedule D-1

- Schedule D-1 is used to record adjustments under the cost center and cost component directly affected. It may be necessary to allocate the adjustment between Salaries, Fringes and Other when no direct relationship exists. Adjust costs for Medicaid Expansion services paid for by the facility on Schedule D-1.
- Use the drop-down lists to record the adjustments in the proper Cost Center and Cost Component. Ensure that when an adjustment impacts Property Costs, select Property Costs in both the Cost Center and Cost Component drop-down lists.

Schedule D-2

- Schedule D-2 is used to record all reclassifications between cost centers and cost components. Each individual reclassification entry and the grand total of all reclassifications must equal zero.
- Use the drop-down lists to record the reclassifications in the proper cost center and cost component. Ensure that when a reclassification impacts Property Costs, select Property Costs in both the Cost Center and Cost Component drop-down lists.

Schedule D-5

- D-5 provides information on compensation for top management personnel. Schedule D-5 within the cost report template must report compensation for all administrators.
- Additional Schedule D-5s must be submitted as supporting documentation for top management personnel.
- Adjust compensation for all top management personnel in excess of the limitation on Schedule D-1.
- Compensation for top management personnel employed for less than a year must be limited to an amount equal to the limitation divided by 365 times the number of calendar days the individual was employed.

Schedule D-7

- Schedule D-7 is to be completed by a facility which operates or is associated with non-resident related activities excluding hospital and basic care activities. This schedule allows the facility to determine if costs for the non-resident related activity should be included on Schedule C-4 or whether administration costs are to be allocated to the non-resident related activities based on revenues.
- If non-resident costs are five percent or greater of total nursing facility costs and have not been included as non-LTC costs on Schedule C-4, the facility will need to include an adjustment of the costs on Schedule D-1.
- For non-resident related activities which are less than five percent of total facility costs, each activity is to be identified individually on the schedule. Enter gross

revenues by activity and calculate the percent of revenues to total. The nursing facility column percentage on Line 11 is determined by subtracting the non-resident related activity percentages from 100%.

- Enter total administration costs from Schedule C-1. Subtract administration adjustments previously made on Schedule D. Allocate adjusted administration costs using the percentages on Line 11, after the total adjustment costs are determined for non-resident related activities, costs must be apportioned to salaries, fringe benefits, malpractice insurance and other costs based on the percentage of the line item to total administration costs.
- If the revenue allocation methodology is used and the facility has included the costs for the non-resident related activities as Non-LTC costs on Schedule C-4, an adjustment to exclude the non-resident related costs must be made on Schedule D-1.

Schedule D-8

- Schedule D-8 provides for the adjustment of dues, contributions and advertising costs limited by section 12.9 of the Rate Setting Manual for Nursing Facilities. Provide the detail accounts for dues, contribution, and advertising with this schedule.

Schedule E

- Schedule E provides information on Home Office costs. This schedule must be completed by a facility who has claimed costs for a home office or a parent organization.
- A summary of the home office costs, adjustments made, and allocation to the related providers must be submitted with the cost report.
- A reconciliation must occur if estimates to home office costs were reported on the June 30, 2019 cost report. Reconciliation of prior year reported estimated home office costs to actual home office costs must be completed on an annual basis if estimates are used.
- The filed Medicare form CMS-287-05 must be utilized to determine actual costs.

Schedule F

- Schedule F summarizes interest income and identifies various requirements that must be met to qualify for funded depreciation. If the answers to the questions on Schedule F are not in compliance with section 22 of the Rate Setting Manual for Nursing Facilities, an adjustment must be made and included on Schedule D-1.
- This schedule must be completed if interest income has been earned and interest expense has been claimed.

Schedule F-1

- Schedule F-1 provides for information on funded depreciation accounts. A separate Schedule F-1 must be completed for each account, CD, etc. included in funded depreciation.
- Provide a description of how the withdrawals, transfer, and amount expended for capital assets were used.

Schedule G

- Schedule G must be completed for everyone who qualifies in one of the categories listed on the schedule.
- Documentation must be available to indicate the types of services performed and the number of hours worked by month and day.
- Indicate the basis of valuation for the hourly salary.

Schedule H

- This schedule provides for reporting the actual costs of ownership of a facility leased from a related party and information on the related party organization.

Schedule I

- This schedule provides for organizational information on the owners and operators of the facility.

Schedule J

- Schedule J provides information on the assets and related depreciation expense of the facility.
- Depreciation expense must tie to schedule C-4 line 34.

Schedule K

- Schedule K provides information on debt and interest expense claimed by the facility. Workers compensation and vendor interest expense must be identified.
- Interest expense must tie to schedule C-4 line 35.

Schedule L

- Schedule L provides information on lease or rental of building and equipment from non-related parties.
- Actual square feet rented and actual rented cost per square foot must be reported if applicable.

Schedule O

- Schedule O provides information on projected property costs. This schedule may be completed if a projected property rate is requested by the facility and only if construction, renovations, or replacements in excess of \$100,000 occurred during the report year.
- Projected property costs are those expected to be incurred for the rate year. Include amortization and depreciation schedules, workpapers, and other data to support projected costs.
- The greater of actual census from the last cost report or ninety percent of licensed capacity actually in use while construction or renovation was occurring plus ninety-five percent of the licensed capacity put back into use after completion of the project must be used for the projected rate.

Schedule O-1

- Schedule O-1 provides for the computation of a 12-year property rate adjustment if projected property costs previously included in a rate year differ from determined actual historical costs. When 12 months of property costs are reflected in the report year after completion of the project, the computation must be made.
- Census Units are to be completed as follows:
 - Projected property census is the actual census during the rate year that the projected property rate was in effect.
 - Historical census is the greater of the actual census from the cost report in effect for the projected property rate or ninety percent of the licensed bed capacity available for occupancy.
- The adjustment must be included on Schedule D-1.

Schedule P

- Schedule P provides information on costs and hours for various employees and contracted labor. It requires providing salaries and hours included on schedule C-4 that only pertain to the nursing facility.

Schedules Q-1, Q-2 and R

- Schedule Q-1 provides information on sending facility costs from receiving facilities for evacuations. The period of evacuation begin date is the date first resident was evacuated and end date is date last resident was returned to facility, exclusive of individuals returning from home.
- Schedule Q-2 provides information on sending facility evacuation period costs and revenues. Report the total adjustment on Schedule D-1.

- Schedule R provides information on receiving facility costs for evacuations. Report the total adjustment on Schedule D-1.

Schedule S

- Schedule S is to be used if the facility claims education expense for an individual who is currently enrolled in an accredited academic or technical educational facility.
- Schedule S is also to be used if the facility has an agreement for the repayment of the employee's student loan.
- Total allowable costs automatically transfer to Schedule C-2a.
- The adjustments must be included on Schedule D-1.
- Schedule S must be completed in order to be considered as passthrough costs.

Schedule T

- Schedule T is used to report bad debt in summary. It includes offsets related to bad debt recoveries and non-allowable bad debt.
- Bad debt detail supporting information must have been submitted by August 15th.
- Total allowable costs automatically transfer to Schedule C-2a.
- Schedule T must be completed in order to be considered as passthrough costs.

Schedule U

- Schedule U is used to report and identify all software costs. Software costs do not include outsourced information technology professional fees paid in lieu of an in-house employee. A separate general ledger account for software costs should be utilized. A name, brief description and cost must be included on the schedule U.
- Costs must be divided between Direct and Shared:
 - Direct Costs must be reported in one of five categories: Nursing Facility, Basic Care, Assisted Living, Hospital and Other.
 - Shared Costs will be allocated through accumulated costs. Shared Costs must be broken out by the vendor on the invoice by nursing facility, basic care, assisted living, hospital and other or sufficient documentation provided from the vendor supporting the allocation.
- Copies of all invoices for both Direct and Shared Costs must be included with the cost report. All direct and shared Costs are subject to additional supporting documentation requests.
- Total allowable costs automatically transfer to Schedule C-2a.
- Schedule U must be completed in order to be considered as passthrough costs.