

Jack Dalrymple, Governor
Carol K. Olson, Executive Director

June 30, 2011

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 screen, select “**Providers.**” On the ‘Providers’ screen select “**Medical Services Provider Information.**” Select “**Accept**” to agree to the ‘End Users Agreement for Providers.’ 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**”.

Complete the cost report consistent with the Rate Setting Manual for Nursing Facilities. The information establishes rates beginning January 1, 2012. 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 workpapers;
- Workpapers 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 workpaper reconciling the June 30, 2011 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 workpaper 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 workpaper identifying the account number, description, amount and, total amount for any combination of accounts that appear on Schedule C-4;
- The workpapers 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;
- Workpaper identifying all dues, advertising, and contributions included as allowable.

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.

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 thirty-four levels of care for the nursing facility. Payor sources include Medicaid, private pay, Medicare, and waived.

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.

In determining the percentage of total adjusted costs for the allocation of administration costs, exclude utilities costs prior to determining the allocation. Utilities costs include the allowable cost of heating and cooling, electricity, water, sewer and garbage, and cable TV.

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

Provider Audit is no longer able to receive a copy of each nursing facility's Medicare Provider Statistical and Reimbursement System (PS&R) report from the fiscal intermediary. Due to changes in the CMS PS&R system, providers must obtain their PS&R reports via the PS&R Website. In order to assist the review of submitted cost reports, ***nursing facilities must submit a copy of their PS&R Report #: OD44203, with Paid Dates July 1, 2010 Thru June 30, 2011 and Report Run Date of September 30, 2011. Submitted this report by October 6, 2011*** to North Dakota Department of Human Services, Fiscal Administration – Provider Audit, 1600 E. Century Avenue Suite 5, Bismarck ND 58503.

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 and II 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 services under Section 12.22. of the Ratesetting Manual for Nursing Facilities, paid for by the facility, which the Department pays directly to an outside provider, such as laboratory and x-ray.

For ratesetting 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 Ratesetting Manual for Nursing Facilities, since the Department pays the costs directly.

Medicare Part D covers the costs of some diabetic supplies. For ratesetting 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 \$262,611 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.

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 Q-1, Q-2, and R, include with the cost report for those facilities that have flood related costs 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.

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.

As a reminder, ***the cost report (including audited financial statements) is due on or before October 1, 2011*** to North Dakota Department of Human Services, Fiscal Administration - Provider Audit, 1600 E. Century Avenue Suite 5, Bismarck, ND 58503. 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.

The inflator percentage established by legislation is 3.00%. When the rates are established, Medical Services sends / faxes 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.