



Jack Dalrymple, Governor
Maggie D. Anderson, Executive Director

June 30, 2016

TO: All Basic Care 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 **"Basic Care Facilities: Report Documents"**. Under 'Provider Report Documents, Basic Care Facilities:' select **"Basic Care Facility Cost Report and Instructions."**

Complete the cost report consistent with the North Dakota Administrative Code (NDAC), Chapter 75-02-07.1. The information establishes rates beginning July 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 basic care 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 and the fiscal year end or report year end adjusting and reversing entries;
- 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, identifying total square footage, storage areas, hallways, mechanical room square footage, total resident room square footage, administration, and housekeeping square footage;
- Work paper identifying all dues, advertising, and contributions included as allowable; and

- Any documentation for unforeseen costs or projected cost not submitted with your cost report, which is due on or before the last day of the third month following your facility's fiscal year end, unless an election is made, will not be included in the rate established effective July 1, 2017.

Schedule A, General Information and Certification, reports the general facility information and certification. 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, which includes all schedules 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 reports 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; 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 nursing facility, licensed hospital, and other.

Schedule B-3a is used to report census days by source of payer; basic care, including BCAP, BC Alzheimer waiver, BC TBI, and BC private pay; assisted living, nursing facility, hospital, and other.

Schedule C-1, Statement of Reimbursable Costs, the total costs are included on Schedule C-1. Do not subtract adjustments from the general ledger costs prior to completing Schedule C-1. Please note that administration costs include all travel and training costs. Schedule C-4, line 34, vehicle operating includes only costs related to the transportation of residents

Please be aware of NDAC 75-02-07.1-02.2.a., which provides, in part, "The accrual basis of accounting, in accordance with generally accepted accounting principles, must be used for cost reporting purposes. A facility may maintain its accounting records on a cash basis during the year, but adjustments must be made to reflect proper accrual accounting procedures at yearend and when subsequently reported. . . ." If the accrual basis is not used, we return the cost report to the facility for revision. Make sure that your accountant is aware of this.

The cost report schedules incorporate establishing a separate room and board rate. The schedules identify food and plant costs combined with property costs to establish a room and board rate. In addition, the cost report schedules incorporate a resident care and licensed health care professional column. The schedules identify licensed health care professional costs to include as room and board costs.

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 9, Cost Allocations, of NDAC, Chapter 75-02-07.1.; 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, Basic Care 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 numbers 4 through 16 may require appropriate adjustments or reassignments on Schedule D-1.

Schedule D, Adjustments Summary, use one column for each adjustment made on the Schedule D's, when preparing the summary of adjustments. For additional columns, copy the summary.

In addition, for rate setting purposes, alcohol and tobacco products are included as nonallowable costs on Schedule D.

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 \$80,612 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.

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 basic care facility.

As a reminder, ***your report is due on or before the last day of the third month following the facility's fiscal year end***, unless an election is made, to North Dakota Department of Human Services, Fiscal Administration Provider Audit. To file a cost report based on a December 31 report year rather than on the facility's fiscal year end, the due date will be March 31. To file a cost report based on a June 30 report year rather than on the facility's fiscal year end, the due date will be September 30. 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