

**DMA Audit Section
State-owned ICF/MR Facility
Guidance for Cost Report Preparation
FYE: June 30, 2011**





North Carolina Department of Health and Human Services

Division of Medical Assistance

2501 Mail Service Center – Raleigh, N.C. 27699-2501

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

Craig L. Gray, M.D., MBA, JD, Director

June 1, 2011

Dear State Facility:

In accordance with the Reimbursement Plan for Intermediate Care Facilities-Mental Retardation, we are furnishing the software for the 2011 Medicaid cost reporting forms.

The downloadable FoxPro software will enable you to input and generate your 2011 Medicaid cost report. The User's Guide includes instructions for generating a blank cost report and inputting data to generate your completed cost report. **The furnished software is not to be modified in any manner.**

We have also made available software for those facilities required to file a home office cost report. See [ICF/MR Home Office Cost Statement Instructions](#) for details.

The cost report for the fiscal year ended June 30, 2011 is due to be filed by Thursday, December 1, 2011. We do not plan to issue any extensions from this due date. The cost report may be filed electronically on a floppy diskette or a CD compact disc or e-mailed along with a signed copy of the Information/Certification Form, diskette, and Certification Form for the Home Office Cost Statement (if applicable), and the working trial balance to:

US Mail

Desk Audit Section
Division of Medical Assistance
2501 Mail Service Center
Raleigh, NC 27699-2501

Alternate Shipping

Audit Section
Division of Medical Assistance
421 Fayetteville St.
Raleigh, NC 27601

You must indicate on the filed working trial balance the line number on which the account is included on Schedule A (expenses), Schedule F (balance sheet), and Schedule G (revenues). Cost reports filed without this cross-referencing will be deemed incomplete and delinquent. **Chain organizations filing a combined cost report are requested to file a combined working trial balance.**

If a settlement is due the Medicaid Program, remit under separate cover to:

DHHS-Controller's Office
DMA-Accounts Receivable
2022 Mail Service Center
Raleigh, NC 27699-2022

***Make checks payable to:
Division of Medical Assistance***

Below, we have furnished guidance to assist you in preparing the cost reporting forms in accordance with our requirements. Also, Frequently Asked Questions (FAQs) can be accessed at <http://www.dhhs.state.nc.us/dma/cost/icfmr/ltc.htm>. If you have questions regarding the software or its operations, please contact a Computer Consultant at the Division of Information Resource Management (DIRM) at (919) 855-3200. If you have questions regarding the cost reporting forms, please contact the DMA Audit Section via e-mail at Mike.DAlessio@dhhs.nc.gov or by telephone at (919) 647-8060.

Sincerely,

Michael D'Alessio
Audit Manager

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COMPLETION OF SCHEDULES

Cost Reporting Software is Now Available Online – Providers may download the 2011 version of the ICF/MR cost reporting software and instruction manual by accessing the DMA Audit Section web site at <http://www.dhhs.state.nc.us/dma/cost/icfmrltc.htm>. Common Frequently Asked Questions (FAQs) can also be accessed on that same web page.

Internal Control Questionnaire – The Internal Control Questionnaire is available on the furnished software. Please answer all questions with a “YES”, “NO” or a remark in the “REMARKS” section. Please refer to the software user’s manual for further instructions.

General Information

You **must** select ‘**State Facility Plan**’ on Line 4a to ensure the correct settlement forms are utilized.

The cost report software has been modified to accept the new National Provider Identifier (NPI) number per HIPAA regulations. You must enter both the old N.C. Medicaid provider number as well as the new NPI number to ensure proper matching for all claims processed by the Intermediary. If you do not have an NPI number at this time visit the CMS website for more information at [NPI Overview](#) .

Facility Statistics

{NEW} Line 8 – Medicaid - Behavioral Health HMO Days data entry field requires users to input all inpatient days for any residents that are enrolled with a Behavioral Health HMO LME. These days are reimbursed by a different program and must not be included in line 6.

Monthly Census Summary

{NEW} Column 4 – Behavioral Health HMO Medicaid Days requires users to input all inpatient days for any residents that are enrolled with a Behavioral Health HMO LME. These days are reimbursed by a different program and must not be included in columns 2 or 3.

Schedule A

Schedule A includes three identical cost centers (Property Ownership and Use, Operation and Maintenance of Plant and Housekeeping-Labor, & Housekeeping-Non Labor) for identifying ICF/MR Facility and Day Care Program costs. These Day Care Program cost centers are to be utilized when the group home has an in-house Day Care Program. If a group home with an in-house Day Care Program is unable to identify costs between the ICF/MR Facility and Day Care Program in the above named cost centers, these costs are to be allocated on Schedule B of the cost reporting forms between the ICF/MR Facility and Day Care Program. The basis of allocation will be square footage. (*See Schedule B and B-1 guidance below.*) If the group home contracts for Day Care Program services, these Day Care Program cost centers will **not** be applicable since costs of the Day Care Program will be identified on line A-258, *Contractor Outside Services*.

Schedule A, line 13 has been modified to read, “Fire Protection Sprinkler Depreciation”. This line is to be used to separately report the depreciation expense for the group home’s fire protection sprinkler system. Depreciation expense will only be recognized for reasonable cost not covered by DMA Initial Funding and outside grants.

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Schedule A continued

Furnish explanation for all negative expense amounts on column 7 except for the Revenue Offset amount. Written explanations can be submitted with the cost report at the time of filing.

The total of Central Office Overhead – line 279, and directly allocated home office costs coded to other Schedule A accounts must agree with home office costs on Schedule A-4, column 5 and Schedule A-5, line 2C. These amounts must be supported in the Home Office Cost Statement.

Line 243 - Health Care Assessment Paid to DHHS – allows providers to expense assessment fees paid to the Controller's Office.

Effective 07/01/2006 the capitalization criteria for fixed assets is \$5,000. Use the link below to access the applicable ICF/MR Chart of Accounts for prior years as well as 2010 & 2011.
<http://www.dhhs.state.nc.us/dma/cost/icfmr/ltc.htm>

Schedule A-2

Providers no longer have the option to offset reserve bed revenues.

All grant and donation revenues (restricted and unrestricted) must be reported as a revenue offset on Schedule A-2 in accordance with Section .0305(n) of the Prospective Reimbursement Plan for ICF/MR Facilities.

Schedule A-4

All home office and related organization costs **must** be identified on this schedule, including those related organizations deemed 'non-related by exception'. Cost reports submitted without all related organizations identified will be deemed incomplete.

A related organization cost report must be filed for all related organizations identified on Schedule A-4. For those related organizations that are deemed 'non-related by exception', documentation must be submitted to support the criteria set forth in CMS Pub 15, Section 1010.

Schedules B and B-1

If your group home had an in-house day care program, which included residents from the group home **and** community, Schedules B and B-1 must be used to allocate cost of Day Care Program costs on Schedule B for residents from the community. In order to allocate Day Care Program costs on Schedule B for residents from the community, enter on Schedule B-1, **line 6**, columns 3, 5, 7, and 14 the group home day care program days and on **line 15**, columns 3, 5, 7, and 14 the community day care program days. The Day Care Program costs computed on Schedule B, **line 6**, column 17 will be for the residents of the group home.

If you did **not** allocate Day Care Program costs (columns 3, 5, 7, and 14) on Schedule B, you must identify an **amount** (such as 100 representing 100%) on Schedule B-1, **line 6**, columns 3, 5, 7, and 14 in order for the total Day Care Program costs to flow to Schedule E, **line 1C** (Deferral Plan) or Schedule E, Part I, **line 8** (General Plan). Day Care Program cost is computed on these schedules by dividing the total DAY CARE PROGRAM COST by the TOTAL INPATIENT DAYS.

(Note: Please be sure to use the '<Calculate>' option each time a change is made to Sch B-1.)

Statistics based on total inpatient days must **not** include days for therapeutic leave and reserve beds. These days must only include days in which patients are actually present in the facility.

Statistics based on square footage must agree with prior year field audited square footage unless the Division of Medical Assistance has granted prior approval.

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Schedule E

Schedule E has two additional data entry requirements that must be completed as part of the N.C. Medicaid Health Care Assessment program. You are required to input the HCA daily rate and the total amount paid to the Controller's Office for the cost report period for all total **non-Medicare** days.

Fire Protection Sprinkler System Schedule – This schedule will have to be completed by those group homes that have received partial reimbursement for the installation of a fire protection sprinkler system. For further information on reimbursement of fire protection sprinkler systems, please call Ms. Elizabeth Grady at (919) 855-4207.

Home Office Cost Statement

Included is the Home Office Cost Report software and a copy of the instructions for preparing the Home Office Cost Statement **if applicable** for your group home. After completing the Home Office Cost Statement, create the mail-in diskette according to the instructions. A separate diskette for the Home Office Cost Statement **must** be filed with the 2011 cost report diskette by December 1, 2011.

Home office cost reporting software is available online. Providers may download the software and instruction manual by accessing the DMA Audit Section web site at <http://www.dhhs.state.nc.us/dma/cost/icfmrhomeoffice.htm>.

Prior Year Cost Reports

ICF/MR cost report preparers are required to review the prior year desk and field audited cost reports and incorporate all applicable adjustments and/or recommendations into the 2011 cost reports. (CMS Pub 15, Section 2905.2)

Cost reports filed for fiscal year ended June 30, 2011 without all schedules properly completed will be considered incomplete and subject to suspension of all payments until schedules are properly completed.

Printing the Cost Report

Please use the "Recalculate" option each and every time before printing the cost report. This will ensure all numeric entries calculate and flow properly across every schedule.

Filing the Cost Report

The cost report for the fiscal period ended June 30, 2011 is due to be filed by Thursday, December 1, 2011. Extensions beyond this due date will not be granted. The Division of Medical Assistance may withhold up to twenty percent (20%) of an ICF/MR facility's payments for **failure to file** a completed cost report.

Field Audits

If your ICF/MR facility is selected for a field audit, financial records supporting the cost report must be made available to the field auditors on an agreed upon timetable. **Failure to furnish requested financial records might result in the repayment of all Medicaid payments.**

Other Questions About Cost Report Preparation?

If you have questions about the preparation of the cost reporting forms, please contact the DMA Audit Section at (919) 647-8060 or e-mail Michael D'Alessio at Mike.DAlessio@dhhs.nc.gov.

**State-owned ICF/MR Facility
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The following items must be received by DMA by December 1, 2011:

- _____ One Electronic File for each Cost Report completed using the ‘Create Mail-in Diskette\ Audit Section’ option

- _____ Signed and dated copy of the Information/Certification Form

- _____ One Electronic File and Certification Form for the Home Office Cost Report, if applicable
 - *A paper copy of the Home Office cost report is required to be filed if DMA software is not used.*

- _____ One Electronic File and Certification Form for each Related Party Cost Report, if applicable
 - *A paper copy of the Related Organization cost report is required to be filed if DMA software is not used.*

- _____ Related Organization information (CMS Pub 15, Section 1010 criteria), if applicable
 - *This information is required if a facility has business transactions with a related organization deemed ‘non-related by exception’.*

- _____ FY 2011 Medicare cost report (must be mailed to DMA-Audit Section as soon as it is available).

- _____ Working Trial Balance for the ICF/MR facility with annotated cost report line numbers (preferably in Excel or Lotus spreadsheet format and filed electronically on a floppy diskette or a CD compact disc).

- _____ Copy of contracts for new or renewed lease agreements

- _____ Census Report

- _____ Other information deemed necessary to supplement cost report information, for example:
 - *explanation of unusual adjustments on Schedule A-2 or reclassifications on Schedule A-1*
 - *explanation of unusual cost variances when compared to the prior year*
 - *explanation of all negative expense amounts on Schedule A except for Revenue Offset entries*