

**INSTRUCTIONS FOR THE 2016-2017
ADULT CARE COST REPORT**

COST AND REVENUE REPORTING SYSTEM

**For Facilities Providing Services to Recipients
of State/County Special Assistance for Adults**

CAPACITY OF 7 LICENSE BEDS OR MORE
Including Special Care Unit (SCU)

Reporting Deadline

Due date: **September 30, 2017**

TABLE OF CONTENTS

I.	General Information.....	3-7
	1. Exemption Form.....	4
	2. Contact Information.....	2
II.	Cost and Revenue Reporting System Instructions	
	A. Schedule A - Home and General Data	
	1. General Information.....	8
	2. Instructions for Schedule A.....	8-11
	B. Schedule B - Schedule of Profit and Loss	
	1. General Information	12
	2. Instructions for Schedule B.....	12-13
	C. Schedule C - Schedule of Expenses	
	1. General Information.....	14
	2. Instructions for Schedule C.....	14-31
	D. Schedule D - Schedule of Related Party Transactions	
	1. Definitions.....	32
	2. Instructions for Schedule D.....	32-34
	E. Schedule E – Special Care Unit Only Schedule of Basis of Allocating Expenses between Special Care and Adult Care Beds	
	1. Definitions.....	35
	2. Instructions for Schedule E.....	35-36

CONTACT INFORMATION:

For any questions regarding the Adult Care Cost Report, please contact Susan Kesler at (919) 855-3680. Fax (919) 715-3095. Email susan.kesler@dhhs.nc.gov

For any questions regarding the Agreed Upon Procedures (AUP) Report, please e-mail the question to AUP.questions@dhhs.nc.gov.

I. GENERAL INFORMATION

Objective:

To require facilities providing services to recipients of State/County Special Assistance for Adults to submit cost reports (where required, audited cost reports) of actual costs and to require the Department of Health and Human Services to adopt rules to ensure quality of care in these facilities.

Enabling legislation:

GS 131D-4.2 Session Law 2016-94, section 12G.2

Implementation Date:

This legislation modified the original statute from cost reports being required annual, to every two years. The due dates as well as reporting dates were also taken out to allow more flexibility. The department held meetings to re-determine dates. The cost report is now due on September 30th of odd numbered years. **The report period should be based on the latest fiscal year end of the facility ending on or before June 30, 2017. Combined nursing facilities reporting period should be based on the most recently completed Medicare cost report.**

Report Due Date:

All homes, except Family Care Homes, must complete the cost report for operations for the period based upon the latest fiscal year end of the facility ending on or before June 30, 2017. All reports must be submitted by **September 30, 2017** unless the home has filed an exemption notification.

If the cost report is required to be audited, the Auditor's Report that has been prepared in accordance with either SSAE No.10 or SAS No. 62 must be submitted along with the "audited" cost report by September 30, 2017. If an accountant has performed the agreed upon procedures, then a completed Independent Accountant's Certification Form should also be submitted by September 30, 2017.

Who must comply?:

All homes that receive funds through the State/County Special Assistance for Adults Program must adhere to this reporting requirement, except Family Care Homes per Senate Bill 10. This includes all Adult Care Homes referred to in GS 131D and the 122C Mental Health Group Homes.

Exemption Notification:

All homes that are exempt because they did not receive any funds through the State/County Special Assistance for Adults Program **must** provide written notification by either faxing the exemption form to **(919) 715-3095** or by sending the form to the following address:

Mailing Address:

Department of Health and Human Services
DHHS Office of the Controller
Attn: Susan Kesler
2019 Mail Service Center
Raleigh, NC 27699-2019

Street Address:

Department of Health and Human Services
DHHS Office of the Controller
Attn: Susan Kesler
1050 Umstead Drive
Raleigh, NC 27603

All exempt homes must use the exemption notification form on the next page and the form **must** be filed by September 30, 2017.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF THE CONTROLLER

EXEMPTION FORM

Report Due Date: September 30, 2017

PLEASE COMPLETE and MAIL or FAX IF EXEMPT

COUNTY _____

(Facility Name)

(Facility License Number) **REQUIRED**

Please check the appropriate statement below:

_____ We are exempt from the 2016-2017 Cost Report requirements mandated by G.S. 131 D-4.1-4.3 because our facility did not receive any funds through the State/County Special Assistance for Adults Program.

_____ We are exempt from the 2016-2017 Cost Report requirements mandated by G.S. 131 D-4.1-4.3 because our facility is **refunding all** funds received through the State/County Special Assistance for Adults Program.

(Date)

(Signature of Authorized Representative)

(Area Code) and Telephone Number

E-Mail Address

Mailing Address:

Department of Health and Human Services
DHHS Office of the Controller
Attn: Susan Kesler
2019 Mail Service Center
Raleigh, NC 27699-2019

Street Address:

Department of Health and Human Services
DHHS Office of the Controller
Attn: Susan Kesler
1050 Umstead Drive
Raleigh, NC 27603

Fax Number: (919) 715-3095

Access to records:

The Department of Health and Human Services shall have the authority to conduct audits and review audits (GS 131D-4.1-4.3).

Action for Noncompliance:

The Department of Health and Human Services may take the following actions to enforce compliance by a home with the cost report requirements, or to punish noncompliance:

- 1) Suspend admissions to facilities that fail to submit cost reports by the due date. Suspension of admissions shall remain in effect until reports are submitted or licenses are suspended or revoked.
- 2) Seek a court order to enforce compliance.
- 3) Suspend or revoke the home's license, subject to the provisions of Chapter 150B.

If the Agreed Upon Procedure (AUP) indicates the accountant was unable to perform certain procedures or utilized unapproved alternative procedures, the cost report and AUP will be returned for possible corrections. If corrections are not possible or timely, the cost report may be excluded from the rate setting figures. If the AUP indicates that the accountant was unable to verify total resident days or that the facility did not maintain documentation to support the allocation of personnel costs to cost centers, then the cost report data will be excluded from rate setting.

In addition, if any data on the cost report is subsequently revised and submitted to the Department after the AUP was received by the DHHS Office of the Controller, then an explanation for the revisions must be included with the cost report. If the revisions affect an expense item that was subjected to an AUP test, then a revised AUP must also be submitted along with the revised cost report.

Audit Requirements:

All homes with 7 or more beds, which receive State/County Special Assistance, must have their cost report audited in accordance with General Statute 131D-4.1-3.

- Homes with a licensed bed capacity of 21 and over are required to have their cost report audited at least every two years. The 2016-2017 year is an audit year for this size home.
- Homes with a licensed bed capacity of 7 to 20 beds are required to have their cost report audited at least every two years. The 2016-2017 year is an audit year for this size home.
- Homes with a licensed bed capacity of 6 or less are not required to have their cost report audited.

If facilities meet the definition of a *cluster home* and home management files a consolidated cost report, the consolidated cost report should include all homes, which have common ownership, located on the same site, and using the same accounting system. The consolidated cost report will be audited in accordance with the audit requirements that have been established for an individual home with a licensed capacity of 12 beds each.

The Department of Health and Human Services has developed procedures intended to be applied during an agreed upon procedures engagement in order to meet the requirements of General Statute 131D-4.1-3, while at the same time containing the cost incurred by the homes. A Certified Public Accountant (CPA) or an independent accountant may perform the agreed upon procedures. The procedures should be performed in accordance with Statement on Standards For Attestation Engagements (SSAE) No. 10: *Attestation Standards: Revision and Recodification*. A report prepared by a CPA in accordance with Statement on Auditing Standards (SAS) No. 62: *Special Reports* will also be accepted by the Department. The Department will not accept a SAS No. 62 Report from an independent accountant.

Before an independent accountant is engaged to perform the AUP, home management should have the accountant review the Independent Accountant's Certification Form to insure that the accountant meets the minimum requirements that have been established by the Department. If the accountant meets the minimum requirements, the Independent Accountant's Certification Form **must** be completed by the accountant and submitted along with the cost report.

Is Information Subject to Verification:

Yes

File Electronically:

It is strongly recommend to submit cost report information electronically. Instructions for downloading the Adult Care Home (ACH) Cost Report application can be found on the Office of the Controller's (OOC) web site at: <https://www.ncdhhs.gov/about/administrative-offices/office-controller/adult-care-facilities>

Please keep a complete paper copy of the cost report for your records. Sign the Certification of Accuracy at the bottom of Schedule A and fax (919-715-3095) OOC a copy of the complete cost report. PDF files are also acceptable and can be emailed to Susan.Kesler@dhhs.nc.gov. If applicable, the AUP report and the Independent Accountant's Certification Form must also be faxed or sent in PDF form. All information must be received by September 30, 2017.

Where to get Additional Forms and/or Information:

All information and forms are available on the DHHS Office of the Controller's web site at: <https://www.ncdhhs.gov/about/administrative-offices/office-controller/adult-care-facilities>. Then click on the 2016-2017 Cost Report - AUPs to find the application and forms. Click on 2016-2017 Chart of Account to find the chart of accounts.

- ❖ Pay specific attention to the reporting period and the licensed bed capacity in selecting the appropriate information.

If Mailing the Cost Report:

The Department strongly recommends the use of electronic files, however if submitting paper cost reports, they may be typed or handwritten, but must be legible.

- If the cost report is required to be audited, **2 Copies** of the "Agreed Upon Procedures" of the audit prepared by the Certified Public Accountant (CPA) **must** be mailed along with **2 Copies** of the cost report.
- If an accountant (non CPA) prepares the "Agreed Upon Procedures", then **2 Copies** of the following must be submitted: Independent Accountant's Certification Form, cost report and "Agreed-Upon Procedures".

Do **not** mail the instructions for completion of the cost report or the AUP audit guide.

Mail address:

NC Department of Health and Human Services
DHHS Office of the Controller
Attn: Susan Kesler
2019 Mail Service Center
Raleigh, North Carolina 27699-2019

Street Address:

NC Department of Health and Human Services
DHHS Office of the Controller
Attn: Susan Kesler
1050 Umstead Drive
Raleigh, North Carolina 27603

Telephone: (919) 855-3680

COST REPORT

GENERAL INSTRUCTIONS

For Cost Reporting Year 2016-2017, the DHHS Office of the Controller (OOC) has available a means to electronically submit cost report information so it can be imported by the state into a master database. The hope is that this will be a beneficial process to both the facility and OOC to save time and effort with the Adult Care cost reporting process. It is highly encouraged to use this reporting mechanism.

Download the Web Version from the OOC web site at www.nc.dhhs.gov/about/administrative-offices/office-controller/adult-care-facilities. Use this electronic Web Version to print blank copies of the cost report as well as to electronically submit the cost report and Agreed Upon Procedures (AUP) to our office.

If completing the cost report manually please enter on each page, in the boxes provided the Home License Number and Home Name as assigned by the Division of Health Service Regulation (DHSR).

The cost report may be prepared on a cash or accrual basis.

Web version will automatically populate cost center total lines.

Note: Box at upper right corner of the screen should be green. If it is, the cost report is in balance. If it is red, then the cost report is out of balance by the amount shown. Check each entry on Schedule C and the entry on Schedule B line 19 for data entry errors.

REMINDERS for this year:

- 1. Cost Reporting Year – All facilities should report based on the latest fiscal year completed on or before June 20, 2017. The reporting period for combined nursing facilities, only, should be off the most recently completed Medicare cost report.**
- 2. Personal Care lines still are not available – detail information on personal care costs such as salaries, benefits, taxes, travel, drugs, beauty shop, etc. are not needed. All that needs to be entered is a lump sum total of costs. The only lines available to key numbers into are Personal Care line 59, Health Services line 72 and Initial/Orientation Aide Training line 88. If related party adjustments need to be added to or subtracted out of these cost centers (see #5 below) use these lines (59, 72 and/or 88) as the reference line, and no hours need to be input.**
- 3. Multiple homes can be entered before exporting - multiple homes can be in process at the same time. To start another home, press the “New Record” button at the bottom of the screen. A blank record will appear with the cursor sitting in the “FID” box. This box is not for the Federal ID number. It is only used to number the homes if multiple homes are entered into the database. The numbering system can be as simple as 101, 102, 103, has a maximum length of 5 digits and no number can be duplicated. DO NOT use 1 in the “FID” box, as any other number between 2 and 99,999 will work. To switch back and forth between homes being entered, use the “Lookup Facility/FID” box to bring up the desired home. Only when the information for a home has been completed, print the final copy and export the home. Only completed homes should be exported. After creating an export file, the home exported has now become a single home file and cannot be brought back to the multiple home database.**
- 4. Home for the Aged (HAL) facilities that are licensed for Special Care Unit Beds, a Schedule E has been added to the web version and must be completed before submitting.**
- 5. Schedule of Related Party Transactions (Schedule D) - If the organization lists a related party expense, unless the cost meets ALL 4 conditions listed under #7 on page 33, the related party expense must be adjusted to the actual cost of the related organization. The amount to be adjusted should be put in the “Related Party Adjustments” column. If a negative amount is being adjusted out, a minus sign does need to be keyed. Three examples have been provided on pages 33 and 34 on how this would work.**

COST REPORT

INSTRUCTIONS FOR SCHEDULE A

GENERAL GUIDELINES:

Web version automatically displays License number and Facility Name. Otherwise, enter the License and Facility Name as licensed by the NC Division of Health Service Regulation (DHSR) on each page. (For example: HAL-123-456, MHL-789-123, etc.)

This cost report may be prepared on a cash or accrual basis. Please select whether the report is on cash or accrual basis.

Cost Report
Line Number

Description

Part I General

1. Enter the mailing address for the home (city, state, and zip code) and the facility telephone number. **NOTE:** This address will be used for all correspondence.
2. Enter the location (physical address) of the home if different than above, enter the city, state, and zip code of home.
3. Enter the original date that the DHSR licensed the home.
4. Enter the name of the individual/corporation/entity to whom the license was issued.
5. Enter county name **where the home is physically located**.
- 5a. Next to the county name is a box called NPI Number. NPI stands for Nation Provider Identifier number, which is a standard unique health identifier for health care providers adopted by the Health Insurance Portability & Accountability Act (HIPAA) in January 2004. All health care providers (except small health plans) must comply by having a NPI number. If additional information is needed about this national requirement, check out the following web site: www.cms.gov/regulations-and-guidance/administrative-simplification/nationalprovidentstand and click on any of the links listed there. If the facility already has applied and received a NPI number, please enter it in this box. The NPI number is a 10 digit numeric number. No alpha character will be accepted nor anything less than 10 digits. **THIS IS A REQUIRED FIELD.**
6. Please enter the facility Medicaid provider number as assigned by the NC Division of Medical Assistance. If the license number changed during the cost report period, please provide the prior Medicaid provider number.
7. Enter the name of the owner (s).
- 7a. Enter the name of a contact person and their telephone number, if different from the owner. This is the person who will be contacted if there are questions about the cost report.

Part II Tax Information

8. Select the correct tax status of the home in the Non Profit or For Profit section of the Schedule A.

Part III Home Information

9. Select the appropriate box. If the corporation/company/organization own the facility that is licensed by the DHSR, select "Yes".

10. Select the appropriate box. If the ownership of the home changed during the cost report period, check Yes. If Yes is checked, indicate the name and address of the previous owner in the space provided in 10a and indicate what the date of the ownership change was in 10b. Also provide the old license number in 10c if known.
11. Enter date home was built.
- 11a. Enter date the home was renovated if applicable.
12. Select the appropriate box to indicate if the home has been fully depreciated for tax purposes in previous years.
13. Enter current total licensed bed capacity of the home as of the last day of the reporting period. (This is the bed capacity licensed by the DHSR)
Example: The XYZ Home for the Aged is licensed by DHSR for 7 beds.
- 13a. *SCU Only * Of the Total Beds identified on line 13, separately identify the number of "Special Care Unit Beds" and "All Other Beds" on this line. **Note:** The sum of this line must equal line 13.
- If 7 or higher is entered in line 13, the 'AUP' popup box will appear. The information entered here should be the person or firm that will complete the audit of the cost report. Choose from the dropdown box. Please update any information that needs it. If the name or firm of the Accountant or CPA is not in the list provided, please choose NEW. Please email Susan Kesler (email address on page 2) with any information that needs to be updated or added. The Office of the Controller will be responsible for adding new names and addresses to the list.
14. Select the appropriate box to indicate whether a change in the licensed bed capacity as established by the DHSR occurred during the cost reporting period.
15. If the response for Line 14 is Yes, enter the number of beds before the change. Enter the date(s) of the change.
- 15a. *SCU Only * Of the Total Beds identified on line 15, separately identify the number of "Special Care Unit Beds" and "All Other Beds" on this line. **Note:** The sum of this line must equal line 15.
16. Enter the months of operation during the cost reporting period, and specify the reporting period.
Example: If the home was in operation for a full year, enter # 12 months, From January 1, 2016 through December 31, 2016 or July 1, 2016 through June 30, 2017.
Select the appropriate box if this is a new license for this cost report period.
17. The web version automatically calculates and displays the licensed bed days. It does that by taking the number of beds listed in line 13 above and multiplying that number by the number of days in the period. Using the example of 7 beds shown above in line 13, that would be 7 beds times 366 days or 2,562

If preparing the report manually, please use the same calculation. Use the number beds listed in line 13 multiplied by the number of days in the period.

If there is an increase or decrease in the number of licensed beds during the period, the number of licensed beds for each month of the cost report period should be multiplied by the number of days during the month.

Example: The cost report period is January, 2016 through December, 2016. The home is licensed for 10 beds on January 1, 2016 and 12 beds on April 1, 2016.

<u>Month/Year</u>	<u>Licensed Bed Capacity</u>	<u>Licensed Bed Days</u>
January, 2016	10	310 (10 beds X 31 days)
February, 2016	10	290 (10 beds X 29 days)
March, 2016	10	310 (10 beds X 31 days)
April, 2016	12	360 (12 beds X 30 days)
May, 2016	12	372 (12 beds X 31 days)
June, 2016	12	360 (12 beds X 30 days)
July, 2016	12	372 (12 beds X 31 days)
August, 2016	12	372 (12 beds X 31 days)
September, 2016	12	360 (12 beds X 30 days)
October, 2016	12	372 (12 beds X 31 days)
November, 2016	12	360 (12 beds X 30 days)
December, 2016	12	<u>372</u> (12 beds X 31 days)
Total Licensed Bed Days		4,210

17a. * SCU Only * Of the Total Licensed Bed Days identified on line 17, separately identify the number of "Special Care Unit Bed Days" and "Other Bed Days" on this line. **Note:** The sum of this line must equal line 17.

18. Enter the number of Available Bed Days during the cost report period. Available bed days are computed by multiplying the number of beds available during a month by the number of days in the month. Most of the time, the number keyed on line 17 will be the same number that needs to be keyed on line 18.

The number maybe different **because a facility may choose not to fill beds up to their licensed capacity, or due to other factors such as temporary displacement due to construction, etc.** If there is an increase or decrease in the number of beds available during the period, the number of beds available for each month of the cost report period should be multiplied by the number of days during the month.

Example:

The cost report period is January 1, 2016 through December 31, 2016. The home is licensed for 10 beds. The home had 9 available beds on January 1, 2016 and 10 on April 1, 2016.

<u>Month/Year</u>	<u>Licensed Beds</u>	<u>Beds Available</u>	<u>Licensed Bed Days Available for Occupancy</u>
January, 2016	10	9	279 (9 beds X 31 days)
February, 2016	10	9	261 (9 beds X 29 days)
March, 2016	10	9	279 (9 beds X 31 days)
April, 2016	10	10	300 (10 beds X 30 days)
May, 2016	10	10	310 (10 beds X 31 days)
June, 2016	10	10	300 (10 beds X 30 days)
July, 2016	10	10	310 (10 beds X 31 days)
August, 2016	10	10	310 (10 beds X 31 days)
September, 2016	10	10	300 (10 beds X 30 days)
October, 2016	10	10	310 (10 beds X 31 days)
November, 2016	10	10	300 (10 beds X 30 days)
December, 2016	10	10	<u>310</u> (10 beds X 31 days)
Total Available Bed Days			3,569

The number of Available Bed Days (Line 18) may be equal to or less than the number of Licensed Bed Days Available (Line 17), but it may **NOT** be greater.

18a. * SCU Only * Of the Total Available Bed Days identified on line 18, separately identify the number of “Special Care Unit Bed Days” and “Other Bed Days” on this line. **Note:** The sum of this line must equal line 18.

19. Enter the total number of Resident Days (private and State/County Special Assistance) for the home during the cost report period. It includes days residents were in the home plus reserved bed days and therapeutic leave days. Total Resident Days does not distinguish between paid or non-paid days.

The number of Total Resident Days will be taken from the home’s census records or computed based on dates residents were admitted, discharged, or on leave from the home.

The number of Total Resident Days (Line 19) may equal or be less than the number of Available Bed Days (Line 18), but it may **NOT** be greater.

19a. * SCU Only * Of the Total Resident Days identified on line 19, separately identify the number of “Special Care Unit Resident Days” and “Other Resident Days” on this line. **Note:** The sum of this line must equal line 19.

20. Enter the total number of State/County Special Assistance Resident Days for the home during the cost report period. DO NOT include private pay residents.

The number of State/County Special Assistance Days will be taken from the home’s census or computed based on dates State/County Special Assistance residents were admitted, discharged, or on leave from the home.

The number of total State/County Special Assistance Days (Line 20) may be equal to or less than the Total Resident Days (Line 19), but it may **NOT** be greater.

20a. * SCU Only * Of the total number of State/County Special Assistance Resident Days identified on line 20, separately identify the number of “Special Care Unit SA Days” and “Other SA Days” on this line. **Note:** The sum of this line must equal line 20.

Part IV Certification of Accuracy

Signature of Owner(s) is required.

COST REPORT

INSTRUCTIONS FOR SCHEDULE B

General Guidelines:

Payments received from insurance, residents, family members, etc. for reimbursement of purchases of medicines and other purchases for residents should be netted out against the expense account and not reported as income under “other receipts”.

Special Care Unit Instructions

Adult Care Bed revenues should be reported in columns 1 and 2. Special Care Unit Bed revenues should be reported in columns 3 and 4. Column 5 is a grand total of both Adult Care and Special Care Unit revenues combined. If the electronic version is used, column 5 calculates automatically. If paper is being completed, column 5 must be calculated and entered manually.

REVENUES ON BEHALF OF STATE COUNTY SPECIAL ASSISTANCE RESIDENTS

Cost Report Line Number	Description
1.	Enter total revenues collected from, or on behalf of residents from the NC Division of Social Services and NC Division of Services for the Blind for the State / County Special Assistance to Adults program.
2.	Enter total revenues collected from or on behalf of State / County Special Assistance residents for Social Security Benefits.
3.	Enter total revenues collected from or on behalf of State / County Special Assistance residents for Supplemental Security Income benefits.
4.	Enter total revenues collected for reimbursement of Personal Care Services (PCS) for Special Assistance / Medicaid Eligible Residents. These revenues are applicable to expenses identified in the Personal Care Cost Center on Schedule C (Line 59).
5.	Enter total revenues collected for reimbursement of Medical Patient Transportation for Special Assistance / Medicaid Eligible Residents.
6.	Enter total Mental Health revenues collected from or on behalf of State/County Special Assistance residents. This includes any CAP funds received and Medicaid.
7.	Enter total revenues collected from all other sources for Special Assistance / Medicaid Eligible residents, including but not limited to private insurance, veteran benefits, railroad pensions, family contributions, etc. It is not necessary to show each type.
8.	Enter total dollar amount of Resident Revenue which has been returned to Special Assistance / Medicaid Eligible residents (Web version defaults to a negative figure). This includes, but is not limited to patient refunds (refunds due to personal allowance of State/County Special Assistance (SA) funds) and refunds due to either the resident’s death or the resident’s movement from the home.
9.	Enter the total amount refunded to the Division of Medical Assistance during the current cost reporting period for Personal Care Services (PCS) (Web version defaults to a negative figure).
10.	Web version automatically calculates this line. Otherwise, total SA Resident Revenues - Add lines 1-7, then subtract Lines 8 and 9.

RECEIPTS FROM PRIVATE PAY RESIDENTS

- 11. Enter total revenues collected from all other sources from or on behalf of private pay residents, including but not limited to insurance, veteran benefits, railroad pensions, family contributions, etc. It is not necessary to show each type.
- 11a. Enter total revenues collected from Non-SA residents to pay for residential services
- 12. Enter total Mental Health revenues collected from or on behalf of private pay residents.
- 13. Enter total dollar amount of Resident Revenue that has been returned to private pay residents (Web version defaults to a negative figure). This includes, but is not limited to patient refunds due to either the resident's death or the resident's movement from the home.
- 14. Web version automatically calculates this line. Otherwise, total Private Pay Revenues - Add lines 11-12, then subtract line 13.

NON-RESIDENT RELATED REVENUE

- 15. Enter total receipts from all sources other than for residents' care and maintenance. Items to be included but not limited to: vending machine proceeds, cafeteria receipts, barber and beauty shop receipts and miscellaneous sale of goods. NC Sales and Use Tax refunds should be included if the home does not separate the payment of the sales tax from the cost of the purchased goods in the accounting records. If the sales and use taxes were posted as receivables, then the refunds would not be reported in this income category.
- 15a. Enter total received for SA Financial Assistance. This consists of the \$34 per month for each resident who was a recipient of State-County Special Assistance. The payment period began on October 1, 2016 and ended on June 30, 2017.
- 16. Enter total dollar amount of revenue refunded which was received from non-resident sources (Web version defaults to a negative figure).
- 17. Total Non-Resident Related Revenues - Subtract Line 16 from Lines 15 and 15a.
- 18. Total Income Reported - Add lines 10, 14, and 17.
- 19. This line will automatically pull in the Total Expense from line 240, Schedule C.
- 20. Web version automatically calculates this line. Otherwise, subtract Line 19 from Line 18. This represents the home's net profit (loss) for the cost reporting period.

COST REPORT

INSTRUCTIONS FOR SCHEDULE C

General Guidelines:

All facilities are required to maintain monthly timesheets on all employees that work in more than one cost center. Facilities are required to utilize the timesheets to allocate the employee's personnel costs (salaries/wages, payroll taxes, and employee benefits) to the various cost centers.

It is suggested that the home prepare worksheets that summarizes the individual monthly timesheets for each employee to arrive at the overall percentages of time the employee devoted to the various cost centers for supporting documentation.

Special Care Unit Instructions

Adult Care Bed expenses should be reported in columns 1, 2 and 3. Special Care Unit Bed expenses should be reported in columns 4, 5 and 6. Column 7 is a grand total of both Adult Care and Special Care Unit expenses combined. If the electronic version is used, column 7 calculates automatically. If paper is being completed, all TOTAL columns (4, 6 & 7) must be calculated and entered manually.

DIRECT COST CENTERS

HOUSEKEEPING / LAUNDRY

Cost Report
Line Number

Description

- | Cost Report Line Number | Description |
|-------------------------|--|
| 1. | Salaries / Wages
Enter in column 1 the total number of hours worked by paid staff
Enter in column 2 the total number of hours worked by unpaid staff
Enter in column 3 the wages for all housekeeping / laundry personnel (salaries and wages)
If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported. |
| 2. | Casual Labor (Incidental/Short-Term Employment)
Enter in column 1 the total number of hours worked by paid staff
Enter in column 3 the wages for all the cost of housekeeping and laundry labor for incidental, short-term employment. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported. |
| 3. | Payroll Taxes
Enter in column 3 the cost of taxes paid by employer. Items include: <ul style="list-style-type: none">- FICA- FUTA- SUTA |
| 4. | Employee Benefit Program
Enter in column 3 the cost of benefits paid by employer. Items include: <ul style="list-style-type: none">- Dental insurance- Health insurance- Life insurance- Retirement- Uniforms- Worker's compensation |
| 5. | Meetings / Seminars / Training
Enter in column 3 the cost of housekeeping and laundry personnel attending meetings, seminars, and conferences. Items include: <ul style="list-style-type: none">- Tuition / Registration / Fees- Training materials |
| 6. | Travel Costs
Enter in column 3 the cost incurred by housekeeping and laundry personnel providing services to patients, training facility personnel and other business related functions. Items include: <ul style="list-style-type: none">- Travel costs (mileage reimbursement, public transportation costs, etc.)- Lodging (hotel/motel) costs when incurred for business related purposes- Meals for facility personnel when incurred for business related purposes- Parking fees when incurred for business related purpose |

HOUSEKEEPING / LAUNDRY - Continued

Cost Report Line Number	Description
7.	Housekeeping / Laundry Supplies Enter in column 3 the cost of cleaning and laundry supplies and materials. Items include: <ul style="list-style-type: none">- Brooms, mops, detergents, etc.- Office supplies- Printed forms- Non-capitalized equipment (vacuum cleaner, mop bucket, buffer, linen cart, scale, marking machine, etc.)
8.	Linen and Bedding Enter in column 3 the cost of linen and bedding. Items include: <ul style="list-style-type: none">- Linens- Bedding- Sheets- Mattresses- Pillows and Cases- Blankets- Towels- Washcloths
9.	Contract Services Enter in column 1 the number of hours worked by the individuals(s) under contract. Enter in column 3 the cost of contracted housekeeping and laundry Services. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
10.	Miscellaneous Enter in column 3 the cost of other housekeeping / laundry items not considered in above accounts.
10a.	Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.
20.	TOTAL OF HOUSEKEEPING & LAUNDRY (Web Version calculates & displays these totals automatically) Enter in column 1 the total of column 1, lines 1 through 10. Enter in column 2 the total of column 2, lines 1 through 10. Enter in column 3 the total of column 3, lines 1 through 10.

DIETARY

- | | |
|-----|--|
| 21. | Salaries / Wages
Enter in column 1 the total number of hours worked by paid staff.
Enter in column 2 the total number of hours worked by unpaid staff.
Enter in column 3 all dietary and food service personnel salaries and wages.
If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported. |
| 22. | Casual Labor (Incidental/Short-Term Employment)
Enter in column 1 the total number of hours worked by paid staff.
Enter in column 3 the cost of dietary and food service labor for incidental, short-term employment.
If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported. |
| 23. | Payroll Taxes
Enter in column 3 the cost of taxes paid by employer. Items include: <ul style="list-style-type: none">- FICA- FUTA- SUTA |
| 24. | Employee Benefit Program
Enter in column 3 the cost of benefits paid by employer. Items include: <ul style="list-style-type: none">- Dental insurance- Health insurance- Life insurance- Retirement- Uniforms- Worker's compensation |

DIETARY – Continued

Cost Report Line Number	Description
25.	<p>Meetings / Seminars / Training Enter in column 3 the cost of dietary and food service personnel attending meetings, seminars, and conferences. Items include:</p> <ul style="list-style-type: none"> - Tuition / Registration / Fees - Training materials
26.	<p>Travel Costs Enter in column 3 the cost incurred by dietary personnel providing services to patients, training facility personnel and other business related functions. Items include.</p> <ul style="list-style-type: none"> - Travel costs (mileage reimbursement, public transportation costs, etc.) - Lodging (hotel/motel) costs when incurred for business related purposes - Meals for facility personnel when incurred for business related purposes - Parking fees when incurred for business related purposes
27.	<p>Contract Services Enter in column 1 the total hours worked by individuals under contract. Enter in column 3 the cost of contracted dietary and food Services. If wages are keyed into column 3, there has to be hours in column 1. Cannot to continue to the next line until hours are reported.</p>
28.	<p>Dietary Supplies Enter in column 3 the cost of all dietary supplies. Items include:</p> <ul style="list-style-type: none"> - General kitchen supplies - Plates, cups, forks, knives, etc. - Non-capitalized equipment (blender, coffee urn, food cart, etc.)
29.	<p>Food Enter in column 3 the cost of food and nutritional supplements. Items include:</p> <ul style="list-style-type: none"> - Meats, vegetables, dairy products, etc.
30.	<p>Miscellaneous Enter in column 3 the cost of other dietary items not included in the above accounts.</p>
30a.	<p>Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.</p>
40.	<p>TOTAL OF DIETARY (Web Version calculates & displays these totals automatically) Enter in column 1 the total of column 1, lines 21 through 30. Enter in column 2 the total of column 2, lines 21 through 30. Enter in column 3 the total of column 3, lines 21 through 30.</p>

RECREATION ACTIVITIES

41.	<p>Salaries / Wages Enter in column 1 the total number of hours worked by paid staff. Enter in column 2 the total number of hours worked by unpaid staff. Enter in column 3 all Recreation Activities personnel salaries and wages. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>
42.	<p>Casual Labor (Incidental/Short-Term Employment) Enter in column 1 the total number of hours worked by paid staff. Enter in column 3 the cost of recreation activity labor for incidental, short-term employment. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>
43.	<p>Payroll Taxes Enter in column 3 the cost of taxes paid by employer. Items include:</p> <ul style="list-style-type: none"> - FICA - FUTA - SUTA

RECREATION ACTIVITIES - Continued

Cost Report Line Number	Description
44.	Employee Benefit Program Enter in column 3 the cost of benefits paid by employer. Items include: <ul style="list-style-type: none">- Dental insurance- Health insurance- Life insurance- Retirement- Uniforms- Worker's compensation
45.	Meetings / Seminars / Training Enter in column 3 the cost of recreational activity personnel attending meetings, seminars, and conferences. Items include: <ul style="list-style-type: none">- Tuition / registration / fees- Training materials
46.	Travel Costs Enter in column 3 the cost incurred providing services to patients, training facility personnel and other business related functions. Items include. <ul style="list-style-type: none">- Travel costs (mileage reimbursement, public transportation costs, etc.)- Lodging (hotel/motel) costs when incurred for business related purposes- Meals for facility personnel when incurred for business related purposes- Parking fees when incurred for business related purposes
47.	Contract Services Enter in column 1 the total number of hours worked by individuals under contract. Enter in column 3 the cost of all contracted recreation activity services. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
48.	Supplies Enter in column 3 the cost of supplies for recreation activities furnished to residents. Items include: <ul style="list-style-type: none">- Recreational supplies- Art supplies- Games- Non-capitalized equipment (Camera, VCR, stereo, typewriter, etc.)
49.	Miscellaneous Enter in column 3 the cost of other recreation activity items not included in above accounts. Items include: <ul style="list-style-type: none">- Cable TV expense
49a.	Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.
50.	TOTAL OF RECREATION ACTIVITIES (Web Version calculates & displays these totals automatically) Enter in column 1 the total of column 1, lines 41 through 49. Enter in column 2 the total of column 2, lines 41 through 49. Enter in column 3 the total of column 3, lines 41 through 49.

PCS COST CENTERS

PERSONAL CARE

PERSONAL CARE

General Note: This is for all Personal Care Services provided to Special Assistance residents and private pay residents in the home.

The following is a list of tasks/staff time which can be included under the Personal Care Services Cost Center as referenced in Clinical Coverage Policy 3L, Section 3.3 and 3.4. The tasks and services should be performed at least once a week.

- I. Personal care allowed by NC State Plan:
 - Hands-on assistance to address unmet needs with qualifying ADLs:

- Set-up, supervision, cueing, prompting, and guiding, when provided as part of the hands-on assistance with qualifying ADLs;
- Assistance with home management IADLs that are directly related to the beneficiary's qualifying ADLs and essential to the beneficiary's care at home;
- Assistance with medication when directly linked to a documented medical condition or physical or cognitive impairment;
- Assistance with adaptive or assistive devices when directly linked to the qualifying ADLs;
- Assistance with the use of durable medical equipment when directly linked to the qualifying ADLs;
- Assistance with special assistance (assistance with ADLs that requires a Nurse aide II) and delegated medical monitoring tasks;

The following should be provided under EPSDT criteria for beneficiaries under 21 years of age:

- Supervision (observation resulting in an intervention) and monitoring (precautionary observation) related to qualifying ADLs;
- Cueing prompting, guiding and coaching related to qualifying ADLs;
- After school care if PCS tasks are required during that time and no other individuals or programs are available to provide this services;
- Additional hours of service authorization

Medication assistance is covered when:

- Delivered in a private residence and consists of medication self-administration assistance described in 10A NCAC 13J;
- Delivered in an adult care home and includes medication administration as defined in 10A NCAS 13F and 13G;

II. Indirect components of personal care when performed by staff (i.e.: Owner/Administrator, aide, supervisor-in-charge, nurse):

- Conduct initial assessment and prepare care plans
- Conduct reassessments and prepare new care plans as needed
- Conduct annual reassessment/care plans
- Obtain physician approval of care plans
- Obtain case manager's verification/authorization of heavy care residents' eligibility for Enhanced ACH/PC and ACH/CMS coverage
- Conduct and document quarterly monitoring and supervisory reviews and
- Document service provision by staff

PERSONAL CARE - Continued

Cost Report
Line Number

Description

- | | |
|-----|---|
| 51. | <p>Salaries / Wages for Aides
In columns 1, 2 and 3 for this cost reporting cycle nothing can be entered. Instead the total wages for all Personnel Care aid staff need to be included in a lump sum keyed on the Miscellaneous expense line 59.</p> |
| 52. | <p>Salaries / Wages for All Others
In columns 1, 2 and 3 for this cost reporting cycle nothing can be entered. Instead the total wages for Other Personal Care staff need to be included in a lump sum keyed on the Miscellaneous expense line 59.</p> |
| 53. | <p>Casual Labor (Incidental/Short-Term Employment)
In columns 1 and 3 for this cost reporting cycle nothing can be entered. Instead the total wages paid to staff for incidental, short-term employment need to be included in a lump sum keyed on the Miscellaneous expense line 59.</p> |
| 54. | <p>Payroll Taxes
In column 3 for this cost reporting cycle nothing can be entered. Instead the total costs of taxes paid by employer need to be included in a lump sum keyed on the Miscellaneous expense line 59. Items include:</p> <ul style="list-style-type: none"> - FICA - FUTA - SUTA |
| 55. | <p>Employee Benefit Program
In column 3 for this cost reporting cycle nothing can be entered. Instead the cost of benefits paid by employer need to be included in a lump sum keyed on the Miscellaneous expense line 59. Items include:</p> <ul style="list-style-type: none"> - Dental insurance - Health insurance - Life insurance - Retirement - Uniforms - Worker's compensation |

PERSONAL CARE - Continued

Cost Report
Line Number

Description

- 56. Meetings / Seminars / Training**
Only include cost for the following as related to MAINTAINING current skill level. (This line item should not include the 20, 40, and 75 hour Aide Training. These costs should be included in the Initial/Orientation Aide Training Cost Center, Lines 81-88.
- In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of Personal Care personnel attending meetings, seminars, and conferences need to be included in a lumped sum keyed on the Miscellaneous expense line 59.
- PCS Training includes cost of training/tuition fees. Items include:
- Tuition / Registration / Fees
 - Training materials
- 57. Travel Costs**
In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost incurred by Personal Care staff for expenses related to participating in PCS training need to be included in a lumped sum keyed on the Miscellaneous expense line 59. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)
 - Lodging (hotel/motel) costs when incurred for business related purposes
 - Meals for facility personnel when incurred for business related purposes
 - Parking fees when incurred for business related purposes
- 58. Contract Services**
In columns 1 and 3 for this cost reporting cycle nothing can be entered. Instead the total cost of contracted staff need to be included in a lumped sum keyed on the Miscellaneous expense line 59.
- 59. Miscellaneous**
Enter in column 3 the lump sum amount to include all costs from line items 51 through 58 and any other Personal Care items not included in above accounts.
- Include on this line the monthly fee to develop a web based assessment and care planning tool.
- 59a. Related Party Adjustment**
Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.
- 60. TOTAL OF PERSONAL CARE** (Web Version calculates & displays these totals automatically)
Enter in column 3 the total of column 3, line 59.

HEALTH SERVICES

Items to include under the Health Services Cost Center include:

- 1. Cost related to 24-hour coverage of a Medical Director**
 - 2. Non-legend drugs and medical supplies**
 - 3. Legend Drugs (in excess of the limit of 6 prescriptions per month per residents)**
 - 4. Beauty and Barber shop**
 - 5. Bloodborne pathogen**
 - 6. The waiting time related to the medical transportation of residents (i.e., waiting for the resident at the doctor's office)**
- 61. Salaries / Wages**
In column 1, 2 and 3 for this cost reporting cycle nothing can be entered. Instead the total wages for all staff in health services need to be included in a lump sum to be keyed on the Miscellaneous expense line 72.
- 62. Casual Labor (Incidental/Short-Term Employment)**
In column 1 and 3 for this cost reporting cycle nothing can be entered. Instead the total cost of health service labor for incidental, short-term employment need to be included in a lump sum keyed on the Miscellaneous expense line 72.
- 63. Payroll Taxes**
In column 3 for this cost reporting cycle nothing can be entered. Instead the total costs of taxes paid by employer need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:
- FICA
 - FUTA
 - SUTA

HEALTH SERVICES - Continued

Cost Report Line Number	Description
64.	<p>Employee Benefit Program In column 3 for this cost reporting cycle nothing can be entered. Instead the cost of benefits paid by employer need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:</p> <ul style="list-style-type: none"> - Dental insurance - Health insurance - Life insurance - Retirement - Uniforms - Worker's compensation
65.	<p>Meetings / Seminars / Training In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of health services personnel attending meetings, seminars and conferences need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:</p> <ul style="list-style-type: none"> - Tuition / registration / fees - Training materials
66.	<p>Travel Costs In column 3 for this cost reporting cycle nothing can be entered. Instead the total travel cost incurred by health services personnel providing services to patients, training facility personnel and other business related functions need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:</p> <ul style="list-style-type: none"> - Travel costs (mileage reimbursement, public transportation costs, etc.) - Lodging (hotel/motel) costs when incurred for business related purposes - Meals for facility personnel when incurred for business related purposes - Parking fees when incurred for business related purposes
67.	<p>Contract Services In column 1 and 3 for this cost reporting cycle nothing can be entered. Instead the total cost of contracted health services personnel need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:</p> <ul style="list-style-type: none"> - In-service/Medical Director required for 24-hour coverage - Other contracted Health Services
68.	<p>Non-Legend Drugs and Medical Supplies In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of non-prescription drugs and medical supplies need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:</p> <ul style="list-style-type: none"> - Non-prescription stock drugs - Adhesives, dressings, gauze, gloves, syringes - Incontinence supplies (disposable diapers, underpads, etc.) - Non-capitalized equipment (chart holder, drug chart, glucometer, humidifier, blood pressure cuff, physician scale, shower chair, stethoscope, suction machine, wheelchair, Geri chair, commode chair, etc.)
69.	<p>Legend Drugs In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of those prescription drugs exceeding the pharmacy service limitation of six prescriptions per month per resident need to be included in a lump sum keyed on the Miscellaneous expense line 72.</p>
70.	<p>Beauty and Barber Shop In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of furnishing beauty and barber services to residents need to be included in a lump sum keyed on the Miscellaneous expense line 72. Items include:</p> <ul style="list-style-type: none"> - Beauty and barber supplies used for basic hair care services - Personal hygiene basic supplies (shampoo, razors, shaving cream, etc.)
71.	<p>Bloodborne Pathogens (OSHA) In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of meeting OSHA standards for bloodborne pathogens and infectious materials needs to be included in a lump sum keyed on the Miscellaneous expense line 72. This includes supplies, protective equipment/clothing, vaccinations, training materials, hazard signs/labels, waste disposal, and medical records retention.</p>
72.	<p>Miscellaneous Enter in column 3 a lump sum amount to include all costs from line items 61 through 71 and any other cost of other health service items not included in the above accounts.</p>
72a.	<p>Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.</p>

HEALTH SERVICES - Continued

Cost Report
Line Number

Description

80. **TOTAL OF HEALTH SERVICES** (Web Version calculates & displays these totals automatically)
Enter in column 3 the total of column 3, line 72.

INITIAL/ORIENTATION AIDE TRAINING (20, 40, 75 HOUR TRAINING)

Cost of staff hired to replace permanent staff in order that they can attend this training should be recorded in the Cost Centers related to the work they are performing.

81. **Salaries and Wages**
In column 1 and 3 for this cost reporting cycle nothing can be entered. Instead the total salaries and wages of staff, (full or part time) attending or teaching the required training need to be included in a lump sum keyed on the Miscellaneous expense line 88.
82. **Casual Labor (Incidental/Short-Term Employment)**
In columns 1 and 3 for this cost reporting cycle nothing can be entered. Instead the total wages of all incidental, short-term employment personnel attending or teaching the required training need to be included in a lump sum keyed on the Miscellaneous expense line 88.
83. **Payroll Taxes**
In column 3 for this cost reporting cycle nothing can be entered. Instead the total cost of taxes paid by employer need to be included in a lump sum keyed on the Miscellaneous expense line 88. Items include:
- FICA
 - FUTA
 - SUTA
84. **Employee Benefit Program**
In column 3 for this cost reporting cycle nothing can be entered. Instead the cost of benefits paid by the employer need to be included in a lump sum keyed on the Miscellaneous expense line 88. Items include:
- Dental insurance
 - Health insurance
 - Life insurance
 - Retirement
 - Uniforms
 - Worker's compensation
85. **Meetings/Seminars/Training**
In column 3 for this cost reporting cycle nothing can be entered. Instead the cost of attending meetings, seminars, and conferences need to be included in a lump sum to be keyed on the Miscellaneous expense line 88. Items include:
- Tuition / Registration /Fees
 - Training materials
86. **Travel Costs**
In column 3 for this cost reporting cycle nothing can be entered. Instead the cost incurred by facility personnel for initial/orientation aide training need to be included in a lump sum to be keyed on the Miscellaneous expense line 88. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)
 - Lodging (hotel/motel) costs when incurred for business related purposes
 - Meals for facility personnel when incurred for business related purposes
 - Parking fees when incurred for business related purposes
87. **Contract Services**
In columns 1 and 3 for this cost reporting cycle nothing can be entered. Instead the cost of all contract services personnel attending or teaching the required training need to be included in a lump sum to be keyed on the Miscellaneous expense line 88.
88. **Miscellaneous**
Enter in column 3 a lump sum amount to include line items 81 through 87 and any other cost of other aide training items not included in above accounts.
- 88a. **Related Party Adjustment**
Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.
90. **TOTAL OF INITIAL/ORIENTATION AIDE TRAINING** (Web Version calculates & displays these totals automatically)
Enter in column 3 the total of column 3, lines 88.

INDIRECT COST CENTERS

ADMINISTRATION AND GENERAL

Cost Report
Line Number

Description

- 91. Salaries / Wages**
Enter in column 1 the total number of hours worked by paid staff.
Enter in column 2 the total number of hours worked by unpaid staff.
Enter in column 3 all administrative personnel salaries and wages of individuals responsible for administering the activities of the home and assigned to classifications of administrator, assistant administrator, secretary, bookkeeper, etc.
If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
- 92. Casual Labor (Incidental/Short-Term Employment)**
Enter in column 1 the total number of hours worked by paid staff.
Enter in column 3 the cost of administrative labor for incidental, short-term employment.
If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
- 93. Payroll Taxes**
Enter in column 3 the cost of taxes paid by employer. Items include:
- FICA
- FUTA
- SUTA
- 94. Employee Benefit Program**
Enter in column 3 the cost of benefits paid by employer. Items include:
- Dental insurance
- Health insurance
- Life insurance
- Retirement
- Uniforms
- Worker's compensation
- 95. Meetings / Seminars / Training**
Enter in column 3 the cost of administrative personnel attending meetings, seminars, and conferences.
Items include:
- Tuition / Registration / Fees
- Training materials
- 96. Travel Costs**
Enter in column 3 the cost incurred providing services to patients, training facility personnel and other business related functions. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)
- Lodging (hotel/motel) costs when incurred for business related purposes
- Meals for facility personnel when incurred for business related purposes
- Parking fees when incurred for business related purposes
- 97. Contract Services**
Enter in column 1 the total number of hours worked by individuals under contract.
Enter in column 3 the cost of contracted Administrative Services.
If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
- 98. Employee Criminal Records Check Fees**
Enter in column 3 the cost for employee Criminal Records Check fees.
- 99. Office Supplies and Materials**
Enter in column 3 the cost of office supplies and other administrative supplies. Items include:
- General office supplies
- Printed forms
- Letterhead and envelopes
- Checks, deposit slips, and other banking forms
- Non-capitalized equipment (fax machine, calculator, etc.)
- 100. Management Services**
Enter in column 3 the cost of contracted Management Services
- 101. Central Office Overhead**
Enter in column 3 the cost of central office allocated to home for centralized services furnished by a home office.

ADMINISTRATION AND GENERAL - Continued

Cost Report Line Number	Description
102.	<p>Interest - Operating Enter in column 3 the financing cost of operating capital for other than fixed assets (land buildings, equipment, automobiles, etc.). Items include:</p> <ul style="list-style-type: none"> - Interest on operating loans - Fees for general lines of credit - Interest on credit card purchases - Interest on other revolving credit purchases
103.	<p>Advertising Enter in column 3 the cost of brochures, pamphlets, and all promotional and public relations expenses.</p>
104.	<p>Amortization Enter in column 3 the cost of current write-off of capitalized items. Items include:</p> <ul style="list-style-type: none"> - Cost of establishing the entity or organization
105.	<p>Data Processing Enter in column 3 the cost of operating a data processing unit or contracted computer services. Items include:</p> <ul style="list-style-type: none"> - Contracted data processing services - Software expense - Data processing supplies
106.	<p>Legal and Accounting Enter in column 3 the cost of acquiring contracted legal and accounting services the facility's operations.</p>
107.	<p>Audit Enter in column 3 the cost of having an audit performed by an accountant or Certified Public Accountant.</p>
108.	<p>Telephone and Telegraph Enter in column 3 the cost of telephone and telegraph services for all communication services (including pagers).</p>
109.	<p>Travel and Entertainment Enter in column 3 the cost of travel and entertainment for business purposes.</p>
110.	<p>Dues and Subscriptions Enter in column 3 the cost of membership in professional societies, cost of trade journals and publications, and cost of subscriptions to newspapers and magazines for residents.</p>
111.	<p>Insurance - General Enter in column 3 the cost of all business insurance not related to property or employees.</p>
112.	<p>Licenses Enter in column 3 the cost of federal, state, and local licensing fees.</p>
113.	<p>Bad Debts Enter in column 3 the cost of bad debts in circumstances where a resident with SSI or Social Security coverage is served by a home and this revenue is diverted from paying for the cost of care. Costs of this nature shall be limited to one occurrence of a consecutive resident stay not to exceed sixty (60) days.</p>
114.	<p>Postage Enter in column 3 the cost of postage.</p>
115.	<p>Miscellaneous Enter in column 3 the cost of other administrative items not included in above accounts.</p>
115a.	<p>Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.</p>
120.	<p>TOTAL OF ADMINISTRATION & GENERAL (Web Version calculates & displays these totals automatically) Enter in column 1 the total of column 1, lines 91 through 115. Enter in column 2 the total of column 2, lines 91 through 115. Enter in column 3 the total of column 3, lines 91 through 115.</p>

OPERATIONS / MAINTENANCE

Cost Report Line Number	Description
121.	Salaries / Wages Enter in column 1 the total number of hours worked by paid staff. Enter in column 2 the total number of hours worked by unpaid staff. Enter in column 3 all maintenance personnel salaries and wages. If wages are keyed into column 3, there has to be hours in column 1. Cannot to continue to the next line until hours are reported.
122.	Casual Labor (Incidental/Short-Term Employment) Enter in column 1 the total number of hours worked by paid staff. Enter in column 3 the cost of labor for incidental, short-term employment. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
123.	Payroll Taxes Enter in column 3 the cost of taxes paid by employer. Items include: <ul style="list-style-type: none">- FICA- FUTA- SUTA
124.	Employee Benefit Program Enter in column 3 the cost of benefits paid by employer. Items include: <ul style="list-style-type: none">- Dental insurance- Health insurance- Life insurance- Retirement- Uniforms- Worker's compensation
125.	Meetings / Seminars / Training Enter in column 3 the cost of operations and maintenance personnel attending meetings, seminars, and conferences. Items include: <ul style="list-style-type: none">- Tuition / Registration / Fees- Training materials
126.	Travel Costs Enter in column 3 the cost incurred providing services to patients, training facility personnel and other business related functions. Items include: <ul style="list-style-type: none">- Travel costs (mileage reimbursement, public transportation costs, etc.)- Lodging (hotel/motel) costs when incurred for business related purposes- Meals for facility personnel when incurred for business related purposes- Parking fees when incurred for business related purposes
127.	Contract Services Enter in column 1 the total number of hours worked by individuals under contract. Enter in column 3 the cost of contracted maintenance and security services. If wages are keyed into column 3, there has to be hours in column 1. Cannot to continue to the next line until hours are reported.
128.	Supplies Enter in column 3 the cost of all supplies and materials to operate and maintain home. Items include: <ul style="list-style-type: none">- Chemicals- Shop supplies- Tools- Gasoline and oil for lawn equipment- Non-capitalized equipment (lawn mower, etc.)
129.	Automobile & Truck Maintenance and Upkeep Enter in column 3 the cost of all maintenance and upkeep on vehicles owned by the home (other than cost applicable to Medically Related Patient Transportation. Items include: <ul style="list-style-type: none">- Registration Fees- Gasoline- Oil- Tires- Lubrication- Vehicle Repairs
130.	Repairs and Maintenance - Buildings and Grounds Enter in column 3 the cost of all materials and labor to repair and maintain buildings and grounds.

OPERATIONS / MAINTENANCE - Continued

Cost Report
Line Number

Description

- | | |
|--------------|--|
| 131. | Repairs and Maintenance - Equipment
Enter in column 3 the cost of all materials and labor to repair and maintain equipment (other than cost applicable to Medically Related Patient Transportation).
Items include: <ul style="list-style-type: none">- Office equipment- Furniture and fixtures- Plant machinery and equipment |
| 132. | Utilities
Enter in column 3 the cost for all utilities. Items include: <ul style="list-style-type: none">- Electricity- Gas (natural gas, propane, butane - NOT gasoline)- Fuel (fuel oil used to heat and cool building - NOT gasoline)- Water (water and sewer services) |
| 133. | Sanitary and Pest Control
Enter in column 3 the cost of sanitation (garbage) and pest control services. |
| 134. | Miscellaneous
Enter in column 3 the cost of other Operation and Maintenance items not included in above accounts. |
| 134a. | Related Party Adjustment
Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center. |
| 140. | TOTAL OF OPERATIONS/MAINTENANCE (Web Version calculates & displays these totals automatically)
Enter in column 1 the total of column 1, lines 121 through 134.
Enter in column 2 the total of column 2, lines 121 through 134.
Enter in column 3 the total of column 3, lines 121 through 134. |

INDIRECT COST CENTERS

MEDICAL TRANSPORTATION

General Notes:

This relates to the transportation of both Private Pay residents and Medicaid eligible residents. Include only actual transportation cost in this cost center. Waiting time is to be included in the Health Services Cost Center. (All other transportation cost should be reported in the appropriate Cost Center based on the purpose of the transportation.)

The Travel Log for Medical Transportation is the primary source of documentation for Medical Transportation. When the total time for Medical Transportation differs from total time for Medical Transportation from timesheets for cost report, the home must reconcile the differences on the timesheet for the cost report based on the travel logs.

Only paid hours are to be used in determining the hours worked. The paid hours would include holidays, sick time, and overtime. The overtime hours should be the actual hours worked and not the overtime ratio (1 1/2 hours) used to calculate the pay.

Cost Report Line Number	Description
141.	<p>Salaries / Wages Enter in column 1 the total number of hours worked by paid staff. Enter in column 2 the total number of hours worked by unpaid staff. Enter in column 3 the cost of all salaries and wages of personnel furnishing Medically Related Patient Transportation. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>
142.	<p>Casual Labor (Incidental/Short-Term Employment) Enter in column 1 the total number of hours worked by paid staff. Enter in column 3 the cost of labor for incidental, short-term employment applicable to Medically Related Patient Transportation. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>
143.	<p>Payroll Taxes Enter in column 3 the cost of taxes paid by employer applicable to Medically Related Patient Transportation. Items include: - FICA - FUTA - SUTA</p>
144.	<p>Employee Benefit Program Enter in column 3 the cost of benefits paid by employer applicable to Medically Related Patient Transportation. Items include: - Dental insurance - Health insurance - Life insurance - Retirement - Uniforms - Worker's compensation</p>
145.	<p>Meetings / Seminars / Training Enter in column 3 the cost of reimbursing medical transportation personnel attending meetings, seminars, and conferences. Items include: - Tuition / registration / fees - Training materials</p>
146.	<p>Travel Costs Enter in column 3 the cost incurred by transportation personnel providing services to patients. Items include. - Travel costs (mileage reimbursement, public transportation costs, etc.) - Parking fees when incurred for medical transportation</p>
147.	<p>Contract Services Enter in column 1 the total number of hours worked by individuals under contract. Enter in column 3 the cost of contracted medical transportation Services. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>

MEDICAL TRANSPORTATION - Continued

Cost Report Line Number	Description
148.	<p>Depreciation - Automobiles Enter in column 3 the cost of the purchase of an automobile or van used for medical transportation prorated over its expected life.</p>
149.	<p>Rent - Equipment Enter in column 3 all cost to rent or lease equipment and/or vehicles used for medical transportation.</p>
150.	<p>Automobile & Truck Maintenance and Upkeep Enter in column 3 all cost to maintain and operate vehicles owned by the home used for medical transportation. Items include:</p> <ul style="list-style-type: none"> - Registration fees - Gasoline - Oil - Tires - Lubrication - Vehicle repairs
151.	<p>Repairs and Maintenance - Equipment Enter in column 3 all material and labor costs to repair and maintain equipment used for medical transportation. Items include:</p> <ul style="list-style-type: none"> - Wheelchair lift repair
152.	<p>Interest - Automobile Enter in column 3 all interest expense on vehicles used for medical transportation</p>
153.	<p>Insurance - Automobile Enter in column 3 all insurance expense on vehicles used for medical transportation.</p>
154.	<p>Miscellaneous Enter in column 3 the cost of other medical transportation items not included in the above accounts.</p>
154a.	<p>Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.</p>
160.	<p>TOTAL OF MEDICAL TRANSPORTATION (Web Version calculates & displays these totals automatically) Enter in column 1 the total of column 1, lines 141 through 154. Enter in column 2 the total of column 2, lines 141 through 154. Enter in column 3 the total of column 3, lines 141 through 154.</p>

MENTAL HEALTH SERVICES (FOR USE ONLY BY GROUP HOMES RECEIVING MENTAL HEALTH FUNDING)

161.	<p>Salaries / Wages Enter in column 1 the total number of hours worked by paid staff. Enter in column 2 the total number of hours worked by unpaid staff. Enter in column 3 all mental health service personnel salaries and wages. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>
162.	<p>Casual Labor (Incidental/Short-Term Employment) Enter in column 1 the total number of hours worked by paid staff. Enter in column 3 the cost of mental health service labor for incidental, short-term employment. If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.</p>
163.	<p>Payroll Taxes Enter in column 3 the cost of taxes paid by employer. Items include:</p> <ul style="list-style-type: none"> - FICA - FUTA - SUTA

MENTAL HEALTH SERVICES - Continued

(FOR USE ONLY BY GROUP HOMES RECEIVING
MENTAL HEALTH FUNDING)

Cost Report Line Number	Description
164.	Employee Benefit Program Enter in column 3 the cost of benefits paid by employer. Items include: <ul style="list-style-type: none">- Dental insurance- Health insurance- Life insurance- Retirement- Uniforms- Worker's compensation
165.	Meetings / Seminars / Training Enter in column 3 the cost of mental health service personnel attending meetings, seminars, and conferences. Items include: <ul style="list-style-type: none">- Tuition / registration / fees- Training materials
166.	Travel Costs Enter in column 3 the cost incurred by mental health services personnel providing services to patients, training facility personnel and other business related functions. Items include: <ul style="list-style-type: none">- Travel costs (mileage reimbursement, public transportation costs, etc.)- Lodging (hotel/motel) costs when incurred for business related purposes- Meals for facility personnel when incurred for business related purposes- Parking fees when incurred for business related purposes
167.	Contract Services Enter in column 1 the total number of hours worked by individuals under contract. Enter in column 3 the cost of contracted mental health Services. Items include: <ul style="list-style-type: none">- Speech therapy- Occupational therapy- Physical therapy- Psychological services If wages are keyed into column 3, there has to be hours in column 1. Cannot continue to the next line until hours are reported.
168.	Supplies Enter in column 3 the cost of supplies for mental health services.
169.	Miscellaneous Enter in column 3 the cost of other mental health service items not included in above accounts.
169a.	Related Party Adjustment Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.
170.	TOTAL OF MENTAL HEALTH SERVICES (Web Version calculates & displays these totals automatically) Enter in column 1 the total of column 1, lines 161 through 169. Enter in column 2 the total of column 2, lines 161 through 169. Enter in column 3 the total of column 3, lines 161 through 169.

CAPITAL COST CENTER

PROPERTY / OWNERSHIP / USE

For Chart of Accounts depreciation account numbers 171-174, the guidelines provided by the United States Internal Revenue Service for tax purposes should be followed.

Cost Report Line Number	Description
171.	Depreciation - Land Improvements Enter in column 3 the cost of land improvements prorated over its expected life. Items include: <ul style="list-style-type: none">- Parking lots- Curbs and guttering- Sidewalks- Landscaping
172.	Depreciation - Buildings and Improvements Enter in column 3 the cost of the building(s) and building improvements prorated over its expected life.
173.	Depreciation - Equipment Enter in column 3 the cost of equipment NOT affixed to building prorated over its expected life. Items include: <ul style="list-style-type: none">- Office furniture and fixtures- Patient's room furniture and fixtures- Office machines and equipment- Telephone equipment- Kitchen equipment- Laundry equipment- Maintenance equipment- Lawn mowers and tractors- Specialized medical equipment- Wheelchairs- Specialized educational equipment- Computer equipment- Software- Security equipment
174.	Depreciation - Automobiles Enter in column 3 the cost to purchase an automobile or van used by the home (other than cost applicable to medical transportation prorated over its expected life).
175.	Rent for Facility Enter in column 3 the cost of renting or leasing facility where services are being provided to residents.
176.	Rent for Other Buildings / Land Enter in column 3 the cost of renting or leasing other buildings or land. Include rent of homes rented for staff to meet resident requirements, temporary storage, land, etc.
177.	Rent for Other Automobiles / Equipment Enter in column 3 the cost of leasing equipment. Items include: <ul style="list-style-type: none">- Copier rental- Computer equipment rental- Office furniture and equipment rental- Telephone equipment rental- Automobile leases (other than cost applicable to medical transportation)- Patient furniture and equipment (other than cost applicable to medical transportation)- Specialized medical equipment rental (other than cost applicable to medically transportation)- Wheelchair rental (other than cost applicable to medical transportation)- Other equipment rental (other than cost applicable to medical transportation)
178.	Real Estate Taxes Enter in column 3 the cost of all property taxes.
179.	Interest - Mortgage Enter in column 3 the cost of all mortgage interest on fixed assets (NOT on operating capital). Items include: <ul style="list-style-type: none">- Land and land improvements- Buildings and buildings improvements

- 180. Interest – Other Capital Assets**
Enter in column 3 the cost of all mortgage interest on fixed assets (NOT on operating capital). Items include:
 - Equipment
 - Automobiles (other than interest cost related to medical transportation)

- 181. Insurance - Fixed Assets**
Enter in column 3 the cost of all insurance on property ONLY. (NOT liability, worker’s compensation, life, or other non-property insurance)

- 182. Miscellaneous**
Enter in column 3 the cost of other property / ownership / use items not included in above accounts.

- 182a. Related Party Adjustment**
Any amount on this line will automatically be pulled from Schedule D if related party expenses are identified for this cost center.

- 190. TOTAL OF PROPERTY/OWNERSHIP/USE (Web Version calculates & displays these totals automatically)**
Enter in column 1 the total of column 1, lines 171 through 182.
Enter in column 2 the total of column 2, lines 171 through 182.
Enter in column 3 the total of column 3, lines 171 through 182.

NON-REIMBURSABLE

- 191. Miscellaneous**
Enter in column 3 the cost associated with miscellaneous matters. Examples include state / federal income taxes, lobbyists, penalties, vending services, contributions, and bad debts other than those listed in the Line 113.

- 220. TOTAL OF NON-REIMBURSABLE (Web Version calculates & displays these totals automatically)**
Enter in column 3 the total of column 3, Line 191.

SUMMARY OF COST CENTERS TOTALS

Web version will calculate automatically

- 210. TOTAL OF DIRECT COST CENTERS.**
Enter in column 1 the total of lines 20, 40, and 50 in column 1.
Enter in column 2 the total of lines 20, 40, and 50 in column 2.
Enter in column 3 the total of lines 20, 40, and 50 in column 3.

- 215. TOTAL OF PCS COST CENTERS.**
Enter in column 1 the total of lines 60, 80, and 90 in column 1.
Enter in column 2 the total of lines 60, 80, and 90 in column 2.
Enter in column 3 the total of lines 60, 80, and 90 in column 3.

- 220. TOTAL OF INDIRECT COST CENTERS.**
Enter in column 1 the total of lines 120 and 140 in column 1.
Enter in column 2 the total of lines 120 and 140 in column 2.
Enter in column 3 the total of lines 120 and 140 in column 3.

- 225. TOTAL OF OTHER COST CENTERS.**
Enter in column 1 the total of lines 160 and 170 in column 1.
Enter in column 2 the total of lines 160 and 170 in column 2.
Enter in column 3 the total of lines 160 and 170 in column 3.

- 230. TOTAL OF CAPITAL COST CENTERS.**
Enter in column 3 the total of lines 190 in column 3.

- 235. TOTAL OF NON-REIMBURSABLE COST CENTERS.**
Enter in column 3 the total of line 200 in column 3.

- 240. TOTAL OF ALL COST CENTERS.**
Enter in column 1 the total of lines 210, 215, 220, 225, 230, and 235 in column 1.
Enter in column 2 the total of lines 210, 215, 220, 225, 230, and 235 in column 2.
Enter in column 3 the total of lines 210, 215, 220, 225, 230, and 235 in column 3.

Web version will automatically populate Schedule B expenses from Line 19 and calculate the difference. Note: Box at upper right corner of the screen should be green. If it is, the cost report is in balance. If it is red, the cost report is out of balance by amount shown. Check each entry on Schedule C or C1 and the entry on Schedule B line 19 for data entry errors.

COST REPORT

INSTRUCTIONS FOR SCHEDULE D

Nursing Homes are exempt from reporting the Related Party Transactions.

Definitions:

- A. **“Related to the home”** means that the home, to a significant extent, is associated or affiliated with, or has control of, or is controlled by, the organization and/or individual furnishing the services, facilities, or supplies.
- B. **“Common ownership”** exists when an individual or individuals possess significant ownership or equity in the home and the institution or organization serving the home.
- C. **“Control”** exists where an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. The term "control" includes any kind of control, whether or not it is legally enforceable and however it is exercisable or exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise.
- D. **“Necessary services”** are those services needed for the efficient operation and sound management of the facility such that had the owners or owner-related individual not rendered the services, the facility would have had to employ another person to perform the services.
- E. **“Ownership interest”** means the entitlement to a legal or equitable interest in any property of the facility whether such interest is in the form of capital, stock, or profits of the facility.
- F. **“Owner”** – An owner shall be considered any individual with a 5% or more ownership interest in the facility.
- G. **“Owner-Related Individual”** – An owner-related individual shall be considered an individual who is a member of an owner’s immediate family which includes spouse, natural or adoptive parent, natural or adopted child, stepparent, stepchild, sibling or stepsibling, in-laws, grandparents and grandchildren.
- H. **“Compensation”** means the total benefits received by the owner for the services he renders to the institution. Such compensation shall include:
 - (1) Salary amounts paid for managerial, administration, professional, and other services
 - (2) Amounts paid by the institution for the personal benefits of the proprietor
 - (3) The cost of assets and services which the proprietor receives from the institution
 - (4) Deferred compensation
 - (5) compensation reported for tax purposes

In determining whether a home is related to a supplying organization and/or individual, the tests of common ownership and control are to be applied separately. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other.

The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests. The following persons are considered immediate family for adult care program purposes:

- (1) Husband and wife
- (2) Natural parent, child and sibling
- (3) Adopted child and adoptive parent
- (4) Step-parent, step-child, step-sister, and step-brother
- (5) Father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law and daughter-in-law
- (6) Grandparent and grandchild

Some examples of common types of transactions between related parties are:

- (a) Sales
- (b) Purchases
- (c) Transfers of realty and personal property
- (d) Services received or furnished (ie. accounting, management, engineering, and legal services)

- (e) Use of property and equipment by lease or otherwise
- (f) Borrowing and lending
- (g) Guarantees
- (h) Maintenance of bank balances as compensating balances for the benefit of another
- (i) Intercompany billings based on allocations of common costs
- (j) Filings of consolidated tax returns

General Instructions – Schedule D:

For each type of related party cost/expense, please complete the following fields:

- (1) Description of the expense/cost line item
- (2) Identification of the line item number and the cost center the expense/cost was reported under
- (3) Name of the related party (organization and/or individual)
- (4) Description of the relationship between the related party and the home. Examples are:
 - Parent company
 - Subsidiary
 - Subsidiary of a common parent company
 - Principal owner
 - Immediate family of principal owners
 - Management
 - Immediate family of management
 - Affiliate (a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the home)
 - Different divisions within the same company
- (5) Total amount of the related party transaction/expense
- (6) Total number of paid hours, if applicable, that corresponds to the expense (salaries and wages, casual labor and contract services) being reported
- (7) The unallowable related party expense that reduces the total expense for the cost center identified.
 - If there are any costs included in Schedule C which result from transactions with related organization as defined in CMS 15-1 (Provider Reimbursement Manual), Chapter 10, they must be identified on Schedule D. Unless the cost meets all four of the exceptions below, the related party expense must be adjusted to reflect a value that would have been paid to an unrelated organization in the open market, as represented by management of the provider organization. For illustrative purposes, three examples are listed below:

Example #1 – Acme Medical Supply shares common ownership with ABC Assisted Living and is deemed a related party. Acme sold \$18,000 of medical supplies to ABC Assisted Living. The actual cost of the supplies was \$13,000. The \$13,000 is the allowable amount because that is what the supplies actually cost; the different between the \$18,000 and \$13,000 has to be adjusted off. Schedule D would look like this:

Line Item	Related Party Name	Relationship	Expense Amount	Pd Hrs	Line Item Description	Cost Center	Adj Amount
72	ACME Medical	Affiliate	18,000	0	Medical Supplies	Health Services	-5,000

The minus sign does have to be keyed in the Related Party Adjustment column.

Note: Because all expenses in the Health Services cost center were entered on the Miscellaneous expense line 72, that is the line that need to be referenced here on Schedule D.

Example #2 – Central office overhead expenses are allocated to XYZ Assisted Living from the corporate home office (Eureka Homes). The amount determined to be allocated is \$25,000. To add this \$25,000 to XYZ Assisted Living’s cost report, first there has to be at least a dollar on the 101 line item on Schedule C and then Schedule D would look like this:

Line Item	Related Party Name	Relationship	Expense Amount	Pd Hrs	Line Item Description	Cost Center	Adj Amount
101	Eureka Homes	Affiliate	1	0	Central Office	Admin/General	24,999

Example #3 – Rent payments of \$50,000 for the facility are made to EFG, LLC, a related party. The related part lease expense of \$50,000 is removed so the actual ownership costs of the facility can be added. Next the related party ownership costs that include allowable depreciation (\$40,000), mortgage interest (\$3,000) and property insurance (\$2,000) are added. Again, there has to be at least a dollar on line 172, 179 and 181.

Line Item	Related Party Name	Relationship	Expense Amount	Pd Hrs	Line Item Description	Cost Center	Adj Amount
175	EFG, LLC	Family Member	50,000	0	Rent for Facility	Property/Owner	-50,000
172	John Doe	Family Member	1	0	Depreciation	Property/Owner	39,999
179	John Doe	Family Member	1	0	Interest	Property/Owner	2,999
181	John Doe	Family Member	1	0	Insurance	Property/Owner	1,999

- Related party transactions meeting **ALL** 4 of the following conditions are deemed non-related by exception.
 - a. The related party organization is a bona fide separate organization. This means that the related party organization is a separate proprietorship, partnership, joint venture, association or corporation and not merely an operating division of the provider organization.
 - b. A substantial part of the related party organization’s business activity is transacted with other providers not related to the provider in an open, competitive market providing the same type of services, facilities or supplies.
 - c. The services, facilities or supplies can be commonly obtained from outside sources rather than producing the item internally.
 - d. The charge to the provider is in line with the charges of such services, facilities or supplies in the open market and no more than the charge made under comparable circumstances to others by the related party for such services, facilities or supplies.

Compensation to Owners and Owner Related Individuals:

Allowability of Compensation and Recordkeeping Requirements:

Owners of provider organizations often render services as managers, administrators, or in other capacities. In such cases, it is equitable that reasonable compensation for the necessary services rendered be an allowable cost. To do otherwise would disadvantage such owners in comparison with corporate providers or providers employing non-owners in comparison with corporate providers or providers employing non-owner persons to perform the same services.

Distribution of profits is a form of compensation paid to a proprietor. However, this form of compensation is **not an allowable cost** of the facility because it is not contingent on performance of necessary services. Where a proprietor renders necessary services for the institution, the institution is, in effect, employing his services and a reasonable compensation for these services is an allowable cost. The salaries of owners and owner-related employees are subject to the requirements of reasonableness. Reasonableness of compensation will be determined by reference to or in comparison with compensation paid for comparable services and responsibilities in comparable institution or it may be determined by other appropriate means. Where the services are rendered on less than a full-time basis, the allowable compensation should reflect an amount proportionate to a full-time basis.

Compensation for services of owners and owner-related employees shall be an allowable cost provided these services are adequately documented to be necessary, and such employees are adequately documented to be qualified to provide these services. Adequate documentation shall include but not be limited to:

- (1) Date and time of services contemporaneous recordkeeping
- (2) Position description
- (3) Individual’s educational qualifications, professional title, and work experience
- (4) Type and extent of ownership interest
- (5) Relationship to and name of owner (if an owner-related individual)

COST REPORT SPECIAL CARE UNIT ONLY

INSTRUCTIONS FOR SCHEDULE E

General Note:

Any facility, which is licensed for Special Care Unit beds, must complete Schedule E. Schedule E identifies the auditable basis/method used for allocating costs between Adult Care and Special Care Unit beds.

The allocation method must be indicated for each cost center containing a total in Schedule C. If several expense line items within a cost center are allocated using more than one method, the allocation method detail for each line number must be provided under “Information”.

Supporting documentation must be available for a CPA to validate the allocation method when performing the Agreed Upon Procedures (AUP) for these items.

General Instructions:

When accessing the form, the cursor will initially be sitting in the “Total Square Footage of Special Care Units”. Please enter all square footage information used by the facility into the Square Footage boxes. The boxes “SCU Sq Ft” and “Adult Care Sq ft” will calculate from the information entered. The boxes “SCU Res days” and “Adult Care Res Days” are already calculated using the information entered from Schedule A, lines 18 and 19. Please note the information about square footage and resident days must be provided in order to choose these allocation methods.

Schedule E displays the total cost center lines corresponding to Schedule C. Under the heading “Allocation By”, identify for each cost center the allocation basis used to distribute the costs. There are four choices to choose from, either through the drop down box or by keying the first letter of the choices. The choices are: **D**irect, **O**ther, **R**esident Days and **S**quare Footage. If all costs within a cost center were directly charged, then choose Direct from the drop down box or type a **D**. If, in a cost center the costs were allocated by more than one allocation, then choose Other from the drop down box or type an **O**. Under the “Information” heading identify by line number the multiple allocation methods used. For example, Operation/Maintenance cost center, lines 121, 123 & 124 are allocated by resident days, lines 132 & 133 are allocated by square footage and everything else was directly charged. For this example on the Operation/Maintenance cost center line, under “Allocation by” choose either Other from the drop down box or type an **O**, then under “Information” type in a description (example: lines 121,123,124-res days: lines 132,133-sq ft: lines 122,128,129,130,131-direct). If all costs within a cost center were allocated by resident days, then choose Resident Days from the drop down box or type an **R**. If all costs within a cost center were allocated by square footage, then choose Square Footage from the drop down box or type an **S**. Again, please note that if no square footage or resident days information was entered, these selections will not be available for use. No matter which allocation is chosen, additional notes can be put under the “Information” heading. However, if “Other” or “O” is chosen, information must be entered.

Based on discussions with industry facility associations, the following are acceptable documentation of bases of allocation:

For Salaries, Casual Labor, Payroll Taxes, Employee Benefits:

- If an employee is 100% dedicated to the Special Care Unit or to the regular Adult Care Home facility, salaries and related benefits can be direct charged to the designated cost center for the type of operation.
- For employees that work in both units interchangeably, the allocation of personnel cost must be documented through timesheets indicating the time being spent by cost center as well as by type of client being served (Special Care Unit client or Adult Care Home client). This documentation is also required for Personal Care Services.
- For employees that are not clearly identifiable (such as food service or administrative etc.), the respective costs may be allocated to the appropriate unit based upon the percentage of residential days of the unit to the total residential days or by another reasonable method provided that the method is a verifiable and auditable basis for allocating facility costs between these two types of beds so that a CPA can validate these allocations.

For all other non-personnel expenditure items:

- Expenditure items can be direct charged to the designated Special Care Unit and Adult Care Home cost centers when the costs clearly benefit only one of those areas. If an invoice includes items specific for each of the units, split invoicing is allowable in order to charge the appropriate cost to the correct center. The following items are examples of the types of expenditures that most likely would be direct charged or split invoiced: Meetings/Seminars/Training, Housekeeping/Laundry Supplies, Linen and Bedding, Contract Services, Beauty and Barber Shop, Bloodborne Pathogens, Non-Legend Drugs and Medical Supplies, Legend Drugs, Dietary Supplies, Food and Recreation Supplies.
- For cost items that have no distinguishable benefit to only one of the units, the cost is to be allocated to the appropriate unit based upon the percentage of residential days of the unit to the total residential days. Typical costs falling under this allocation method would be administrative line items.
- Again, any non-personnel cost can be treated in either of the two prescribed methods noted above, but must have clear benefit if direct charged to a particular unit.

Facility Costs (line items in Property/Ownership/Use Cost Center and Utilities):

- Facility costs **must** be allocated based on square footage associated with Special Care Unit beds verses Adult Care beds.