

**DMA Audit Section
ICFIID Group Homes
Guidance for Cost Report Preparation
FYE: June 30, 2016**





North Carolina Department of Health and Human Services
Division of Medical Assistance

Pat McCrory
Governor

Richard O. Brajer
Secretary

Dave Richard
Deputy Secretary for Medical Assistance

July 15, 2016

Dear Group Home:

In accordance with the Reimbursement Plan for Intermediate Care Facilities for Individuals with Intellectual Disabilities, we are furnishing the software for the 2016 Medicaid cost reporting forms.

The downloadable Excel software will enable you to input and generate your 2016 Medicaid cost report. The User's Guide includes instructions for generating a blank cost report and inputting data to generate your completed cost report. **The furnished software is not to be modified in any manner.**

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

The cost report for the fiscal year ended June 30, 2016 is due to be filed by Friday, September 30, 2016. We do not plan to issue any extensions from this due date. The cost report may be filed electronically on a floppy diskette or a CD compact disc or e-mailed along with a signed copy of the Information/Certification Form, diskette, and Certification Form for the Home Office Cost Statement (if applicable), and the working trial balance to:

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

Alternate Shipping
Audit Section
Division of Medical Assistance
333 East Six Forks Road, Suite 200
Raleigh, NC 27609

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

If a settlement is due the Medicaid Program, make check payable to **Division of Medical Assistance** for the amount due and remit it under separate cover to:

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

Below, we have furnished guidance to assist you in preparing the cost reporting forms in accordance with our requirements. Also, Frequently Asked Questions (FAQs) can be accessed at <http://www.dhhs.state.nc.us/dma/cost/icfmltc.htm>. If you have questions regarding the software or its operations, please contact a Computer Consultant at the Division of Information Resource Management (DIRM) at (919) 855-3200. If you have questions regarding the cost reporting forms, please contact the DMA Audit Section via e-mail at Mike.DAlessio@dhhs.nc.gov or by telephone at (919) 814-0030.

Sincerely,

Michael D'Alessio
Audit Manager

www.ncdhhs.gov • www.ncdhhs.gov/dma
Tel 919-855-4100 • Fax 919-733-6608

Location: 1985 Umstead Drive • Dorothea Dix Hospital Campus • Raleigh, NC 27603
Mailing Address: 2501 Mail Service Center • Raleigh, NC 27699-2501
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COMPLETION OF SCHEDULES

A new Consolidated Health Care Assessment Tax Schedule has been created to provide easier filing of the tax assessment for group homes with no Medicaid Days in FY16. These schedules can be accessed via the DMA Audit Section web site at <http://www.dhhs.state.nc.us/dma/cost/icfmr1tc.htm>. To complete the schedules select the NPI shaded cell for your particular provider on the Gen Info tab. If the provider has only one group home, complete the C-Census tab. For providers with more than one group home, complete the Gen Info tab for the main group home (ie. Lowest Provider Number) and then complete the Facility tab by selecting the applicable home NPI number from the drop down box. Document the applicable days to the 2-10 Census tab and the following additional tabs as needed (**FOR THOSE PROVIDERS WITH MORE THAN ONE GROUP HOME, DO NOT COMPLETE BOTH THE C-CENSUS AND THE ADDITIONAL CENSUS TABS**). An originally signed copy of the Certification form for the main group home must be mailed to DMA. Also required is an electronic or hard copy of each facility's Monthly Census summary.

Providers who issue care for infants to three year olds must file a complete Cost Report for FY16 if you had any Medicaid Days. For FY16 cost reports, all providers are required to furnish copies of existing, renewed, or amended facility and day program lease agreements which support any lease expense identified in the cost report. Failure to support lease agreements with proper documentation may result in disallowance of lease expense.

Per the August 4, 2003 Memorandum from David Mosley, Assistant Director DMA Financial Operations, General Liability Insurance should be allocated to employee benefits in salaried cost centers based on payroll. This is applicable to the ICFIID Chart of Accounts from FYE 6/30/2003 up through FYE 6/30/2015 and FYE 6/30/2016.

Cost Reporting Software is Now Available Online – Providers may download the 2016 version of the ICF/MR cost reporting software and instruction Common Frequently Asked Questions (FAQs) can also be accessed on that same web page.

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

General Information

You **must** select on Line 4a which cost settlement plan you are using (Deferral, General or State Facility). If you have a question as to whether you are eligible to settle using the Deferral Plan, please call Reggie Little in the Financial Operations Section at (919) 814-0021.

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

Facility Statistics

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

Monthly Census Summary

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

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Schedule A

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

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

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

The total of Mortgage/Fixed Asset Interest – lines 8 & 30, and Interest-Operating – line 301 must agree with interest expense on Schedule H, column 9 (Total Line). *(See Schedule H guidance below.)*

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

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

Pre-employment screening costs incurred by ICFIIDs for employees whose benefits are reported in direct cost centers may be reported in the cost center where the employee is assigned.

Effective 07/01/2006 the capitalization criteria for fixed assets is \$5,000. Use the link below to access the applicable ICFIID Chart of Accounts for prior years as well as 2015 & 2016.

<http://www.dhhs.state.nc.us/dma/cost/icfmltc.htm>

Schedule A-2

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

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

Schedule A-3

All compensation paid to owners must be reported on Schedule A-3 and comply with regulations set forth in CMS Pub 15-1, Section 900.

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Schedule A-4

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

A related organization cost report must be filed for all related organizations identified on Schedule A-4. For those related organizations that are deemed 'non-related by exception', documentation must be submitted to support the criteria set forth in CMS Pub 15-1, Section 1010. If this information is not submitted the cost report will be considered incomplete and not filed on a timely basis.

Schedule A-6

Beginning balances in column 1 must agree with prior year balances on Schedule F, column 1.

Schedules B and B-1

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

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

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

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

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

Schedule E

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

Schedule H – Loan/Interest Statement must be completed. Please identify the following information on this schedule:

- Lender's name and address
- Purpose of loan
- Original date of loan
- Term of loan
- Interest rate
- Amount of loan
- Unpaid balance at the end of the cost reporting period
- Total amount of annual payments
- Total interest expense per loan

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Other Schedules

In the past, a significant number of group homes did not properly complete the following schedules when filing their cost reports:

Schedule A-3 (Statement of Compensation of Owners), Item 3

Identify the name and address of individual or corporation, which owns the physical plant of the group home **and** day care program, if different.

Schedule A-3 (Statement of Compensation of Owners), Item 4

Identify the name and address of individuals or organizations having 5% or more ownership in the group home. If the home is “owned/operated” by a board of directors, insert “*Board of Directors*” into item 4.

Schedule A-4 (Statement of Cost of Services from Related Organizations), Items A and B

If Item A is “Yes”, then Items B and C **must** be completed.

Schedule A-5 (Statement of Home Office Allocations, Management Fees, and Depreciation), Items

1 and 2

If Item 1 is “Yes”, then Item 2 **must** be completed. The amount in Item 2C for Home Office Expenses must agree with the **total** amount of home office costs on Schedule A-4 including direct, functional, and pooled home office costs.

Contract Services Statement

Included with the 2016 version of the ICFIID software is the Contract Services Statement. Please follow the on-screen instructions when inputting the data.

If you are instructed to list only contractors paid \$5,000 or more, do **not** list contractors paid less than \$5,000.

If you are instructed to list all contractors, the **TOTAL** amounts **must** agree with the amounts on the corresponding contracted services expense lines on Schedule A of the cost report.

Fire Protection Sprinkler System Schedule – This schedule will have to be completed by those group homes that have received partial reimbursement for the installation of a fire protection sprinkler system. This schedule can be completed by accessing the DMA Audit Section web site at <http://www.ncdhhs.gov/dma/cost/icfmrltc.htm>. For further information on reimbursement of fire protection sprinkler systems, please call Al Greco at (919) 814-0052.

Individual Cost Reports Supporting the Combined Cost Report

Chain organizations are required to file both individual and combined cost reports. Individual group home cost reports must be prepared first. Then use the ‘Combine Cost Reports’ option to select and merge all the individual cost reports you need to combine. Next, use the ‘Create Mail-in Diskette\ Audit Section’ option to build the file to send to DMA Audit Section. The software will generate a single combined cost report. Combined cost reports generated by manually entering combined data will not be accepted.

<u>Cost Report</u>	<u>Due Date</u>	<u>Section</u>
Combined	September 30, 2016	Audit
Individual	September 30, 2016	Rate Setting

When combining cost reports, there is an option on the software program to specify the controlling provider number to be used to identify the combined cost report. Generally, it is the lowest provider number of the individual group homes. Please use the provider number you used last year even if there is a new group home

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in your chain with a lower provider number. If you are not sure, please contact the DMA Audit Section at (919) 814-0030 or email Michael D'Alessio at Mike.DAlessio@dhhs.nc.gov.

Individual Cost Reports Supporting the Combined Cost Report continued

The individual cost reports supporting the combined cost report **must** be filed with the DMA Rate Setting Section. File only the individual cost report(s) using the 'Create Mail-in Diskette\ Financial Operations Section' option and select all the individual cost reports that you have prepared but not the combined report(s). (Do **not** submit Information/Certification Form, working trial balance, Home Office Cost Statement, Contract Services Statement, and Internal Control Questionnaire to the Rate Setting Section.) Submit the Financial Operations Diskette containing the individual cost reports under separate cover to:

Rate Setting Section
Financial Operations
Division of Medical Assistance
2501 Mail Service Center
Raleigh, NC 27699-2501

Note: If appropriately marked, the Audit Section may forward the diskette to the Rate Setting Section.

The software has been modified to allow a user to create a cost report file on a computer that does NOT have a floppy drive. Follow the instructions given by the software when you go to create a diskette and the program will build the file in a sub-folder under the Icfiid13 folder. This will allow you to copy/move the file to a CD or send electronically via e-mail.

Limitations

The established cost limitations for ICFIID group home cost reports for fiscal year ended June 30, 2012 are as follows:

Medical Director:	\$250 per bed annually
Management Fees:	\$7.13 per patient day
Capital/Lease Costs:	\$6,546 annually per bed
Director's Fees:	\$2400 annually or \$200 per meeting
Owner or Administrator Salary:	
	\$57,570 (1-50 beds)
	\$69,912 (51-99 beds)
	\$74,024 (100-149 beds)
	\$79,660 (150-199 beds)
	\$90,469 (200-249 beds)

Home Office Cost Statement

Included is the Home Office Cost Report software and a copy of the instructions for preparing the Home Office Cost Statement **if applicable** for your group home. After completing the Home Office Cost Statement, create the mail-in diskette according to page 25 of the instructions. A separate diskette for the Home Office Cost Statement **must** be filed with the 2016 cost report diskette by September 30, 2016.

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

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Prior Year Cost Reports

ICFIID cost report preparers are required to review the prior year desk and field audited cost reports and incorporate all applicable adjustments and/or recommendations into the 2016 cost reports. (CMS Pub 15-1, Section 2905.2)

Cost reports filed for fiscal year ended June 30, 2016 without all schedules properly completed will be considered incomplete and subject to suspension of all payments until schedules are properly completed.

Printing the Cost Report

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

Filing the Cost Report

The cost report for the fiscal period ended June 30, 2016 is due to be filed by Friday, September 30, 2016. Extensions beyond this due date will not be granted. The Division of Medical Assistance may withhold up to twenty percent (20%) of an ICFIID facility’s payments for **failure to file** a completed cost report.

Field Audits

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

Other Questions About Cost Report Preparation?

If you have questions about the preparation of the cost reporting forms, please contact the DMA Audit Section at (919) 814-0030 or email Michael D'Alessio at Mike.DAlessio@dhhs.nc.gov.

ICFIID Cost Report Checklist

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The following items must be received by DMA by September 30, 2016:

- _____ One CD or Diskette Electronic File containing the Combined Cost Report for the Audit Section created using the 'Create Mail-in Diskette\ Audit Section' option
- _____ Signed and dated copy of the Information/Certification Form
- _____ Signed and dated copy of the Provider Health Care Assessment Certification Form, if these forms are completed by the individual Group Home
- _____ One CD or Diskette Electronic File containing all the Individual Cost Report(s) that support the Combined Cost Report created using the 'Create Mail-in Diskette\ Financial Operations' option
- _____ One CD or Diskette Electronic File and Certification Form for the Home Office Cost Report, if applicable
 - *A paper copy of the Home Office cost report is required to be filed if DMA software is not used.*
- _____ One CD or Diskette Electronic File and Certification Form for each Related Party Cost Report, if applicable
 - *A paper copy of the Related Organization cost report is required to be filed if DMA software is not used.*
- _____ Related Organization information (CMS Pub 15-1, Section 1010 criteria), if applicable
 - *This information is required if a facility has business transactions with a related organization deemed 'non-related by exception'.*
- _____ Working Trial Balance for the ICFIID facility with annotated cost report line numbers (preferably in Excel or Lotus spreadsheet format and filed electronically on a floppy diskette or a CD compact disc).
- _____ Copy of contracts for new or renewed lease agreements
- _____ Other information deemed necessary to supplement cost report information, for example:
 - *explanation of unusual adjustments on Schedule A-2 or reclassifications on Schedule A-1*
 - *explanation of unusual cost variances when compared to the prior year*
 - *explanation of all negative expense amounts on Schedule A except for Revenue Offset entries*

Revised 7/15/16