



ADHC Cost Report Training

AUGUST 27, 2024

Speakers



Agenda

1. Technical resources
2. How to complete a cost report
3. Cost report form
4. Required attachments
5. Basic cost principles



Training Objectives

- Provide information necessary to complete the Louisiana Medicaid ADHC cost report
- Provide information on ADHC rules and regulations
- Communicate recent changes in cost report template



Technical Resources

- ADHC Standards for Payment (SFP)
 - [Louisiana Administrative Code - Louisiana Division of Administration \(la.gov\)](#) Click on Title 50, Public Health – Medical Assistance
 - Pages 409 – 418 & 427 – 433 in July 2024 edition
- LDH ADHC Provider Manual
 - Originally published on 10/18/13 with revisions through 5/7/24
 - [Medicaid | Department of Health | State of Louisiana | \(lamedicaid.com\)](#) Click Manual Chapter



Technical Resources

- Cost report form and instructions
 - Download from M&S every year
 - [Louisiana Case-Mix and Related Services | Myers & Stauffer \(myersandstauffer.com\)](#)
 - Click + next to Downloads and select ADHC V3.6.xltm
- Correspondence from LDH
 - Rate and Audit Unit
 - [Adult Day Health Care \(ADHC\) Resources | La Dept. of Health](#)
- Medicare Provider Reimbursement Manual (PRM 15)
 - [Paper-Based Manuals | CMS](#)
 - Click on Pub 15-1



Why are Cost Reports Important?

- Used to set rates
- Used to determine cost settlement
- Used to determine compliance with LDH rules and regulations
- Used to obtain cost information for special projects or legislative requests



How to Complete a Cost Report

- Review the prior years' cost reports
 - As adjusted
- Review prior years' adjustments and findings from full scope engagements or desk reviews
- Read the current year's cost report instructions
 - Included in the Excel template Instructions tab
- Read the current year filing submission letter from LDH
 - FY24 letter dated 7/1/24



How to Complete a Cost Report

- Gather all required information
 - Attendance records for quarter hour increments
 - Attendance records for days
 - Home Delivered Meals unit information
 - Health Status Monitoring unit information
 - Final financial statements and detailed general ledger
- Create crosswalk from general ledger in required LDH format
 - Must have a subtotal for each cost report line and agree to each cost report line



How to Complete a Cost Report

- Review general ledger for non-allowable costs and expense classification errors
- Create workpapers for Schedule I adjustments
- Complete all required allocation schedules, if applicable
- Transfer amounts from the crosswalk, workpapers and attendance records to the excel template
- Check work for errors



How to Complete a Cost Report

- Complete provider certification page and obtain signature of authorized representative and preparer
- Submit final excel template, certification page and required supporting documents to Myers and Stauffer, LC via Web portal
 - Registration with M&S is required to access this secure portal



Cost Report Form

- As-filed cost report submission includes:
 - Medicaid cost report excel template
 - Signed certification
 - Required attachments per Cover tab in excel template
- Must be submitted by 9/30 each year
- Current version is 3.6
- Electronic submission is required
- **A new excel template should be downloaded every year**
- All files are required to be submitted to M&S via secure Web Portal



Cost Report Form

- General Information
 - Any cost report submitted with missing documents, signatures, etc. will be considered incomplete and will not satisfy the requirements for timely filing
 - If cost report is not submitted or incomplete
 - Nonrefundable 5% penalty of total monthly payments for each month of non-compliance
 - Penalty may be progressive by 5% until all information is received
 - Extensions
 - Must be requested from LDH in writing and the request must be received prior to the cost report due date
 - Only for unavoidable difficulties
 - Written request must include full statement of the cause
 - Non-filer status
 - Transportation rate will be equal to lowest transportation rate
 - Other rate components will be based on state-wide averages
 - Floor settlement will be based on the lowest direct care per diem or 50% of the direct care rate



Cost Report Form

- Use whole dollars only
- Accrual basis of accounting is required
- All records must be kept for 5 years
- Complete all sections even if response is None, N/A or \$0
- Miscellaneous lines should be used only if a specific line is not available
 - Must be specified on form



Cost Report – Schedule A

- Corporate name should not be repeated on facility name line
- Street address should be for facility
- Type of control
 - Use dropdown box to select
 - First 3 choices are for Non-profits – most will be Private
 - Next 3 choices are for For-profits – most will be Corporation
 - Last 5 choices are only for Governmental Agencies



Cost Report – Schedule B

- Lines 1 & 2 – Licensed beds should agree to the facility's license
- Line 4 – Total client days available should reflect any change in licensed capacity during the year
 - Use days facility was open during FY to compute
 - Ex. Facility is closed on weekends and various holidays
 - Days open – 250 times 40 (licensed capacity) = 10,000 total available days



Cost Report – Schedule B

- Lines 5a – 5c – ADHC activity only - Report ALL days of attendance regardless of payment source or non-payment
- Lines 8a – 8c – ADHC activity only - Report ALL quarter hour increments regardless of payment source or non-payment
- Line 8d – Health Monitoring Billing per diem units
- Line 10 – Home Delivered Meals



Cost Report – Schedule C

- Line 1 - Related Party Disclosure
 - Should include information regarding owners, Board members, relatives, and/or key personnel
 - For non-profit providers, this means officers/board of directors/key personnel and their relatives who work for the facility (see PRM, Chapter 10)
 - Job descriptions and detailed written documentation of time worked for the persons listed on Schedule C, line 1 are required as supporting documentation if allowable salary expense is reported
 - All columns should be completed
 - Use 0%, \$0, or N/A as appropriate
- Line 2
 - Changes in licensure should correspond to Line 3 on Schedule B
- Line 3 – Lease information
 - Disclose all facility and vehicle leases
 - Disclose if lessor is a related party



Cost Report – Schedule C

- Line 4 – Related party transactions
 - All related party transactions should be reported
 - Unless amounts are reduced to zero using Schedule I adjustments
 - Should include:
 - Any shared or allocated costs
 - Building/vehicle actual costs if leased from related party
 - Any other transactions with related parties
 - Do not repeat compensation already disclosed on Sch. C Line 1



Cost Report – Schedule D

- Complete all lines even if \$0 or N/A
- Information reported on Schedule D should be consistent with information reported on other cost report schedules
 - Example: If vehicle lease is reported on Sch. H, part E, line 10, then the number of vehicles leased should be reported on Sch. D, line 5



Cost Report – Schedule E

- Actual salary for each position
- Should agree to Schedule H salaries, column (a)
- Salaries should be reported on the accrual basis
- Average hours per week should correspond to the salaries by line
 - Example: Direct care aides
 - 2 employees that work 35 hours per week
 - Avg hours/week = 70
- Should not include contract employees



Cost Report – Schedule F

- June 30th balances from grouping schedule
 - Accrual basis
- Complete lines that say “Specify” the type of asset or liability
- Lines 30 and 47 must equal (assets = liabilities & equity)



Cost Report – Schedule G

- Column (a) should agree to grouping schedule
- Column (b) is used to report Sch. I adjustments
- Use line 1a for Medicaid income received from State – **ADHC only**
- Use line 2a for Medicaid Health Monitoring income received from State
- Use line 2b for Home Delivered Meal income received from State
- Specify grants and other routine service income on Lines 4a, 4b and 5
- Specify all other income on Lines 17a-17e
- All income offsets should be reported in column (b), not net in column (a)



Cost Report – Schedule H

- Column (a) should agree to grouping schedule by line items
 - Accrual Basis
 - Report all costs, even if non-allowable
- Column (b) is used to report Sch. I adjustments
 - Software will post these from Schedule I
- Must specify all other and miscellaneous accounts
 - May include an attachment with a reference to attachment on cost report



Cost Report – Schedule H

- Classifications
 - Lines A9 - A12 – Contract workers
 - Should not include W-2 employees
 - Lines B7a – B7e – Consultant Fees
 - Should not include W-2 employees
 - Should not include Contract workers
 - Line C14 – Dietician consultant fees – Not in Part B
 - Review existing cost report lines and report expenses in correct lines
 - Miscellaneous should only be used for lines not available



Cost Report – Schedule I

- Explanation should be in enough detail to describe the reason for the adjustment
 - **Example:**
 - Inadequate – To adjust salaries
 - Adequate – To adjust administrator salary to the LDH limit
- Supporting documentation for all Schedule I adjustments must be included with as-filed cost report
 - Listing of DGL accounts or CR line items is acceptable for accounts being reduced to zero
 - Offset adjustments should be included in Schedule I support
 - Computations or other support should be included



Cost Report – Schedule J

- No provider input required
- Review allowable cost per quarter hour for reasonableness



Cost Report – Schedule K

- Direct Care Cost Settlement
 - Input is only required on Line 1a, column a for FY24
 - This line should agree to Schedule B, Line 8a



Cost Report – Schedule M

- Certification
 - Must be signed by authorized facility representative
 - Check figures on signed document must match the excel template



Cost Report – Validation Edits

- To assist providers in completing all sections of the cost report by identifying potential input errors
- All exceptions noted on this tab in the excel file must be resolved before filing



Cost Report – Required Attachments

- All required attachments must be submitted in order for the cost report to be considered complete
- Copies/scans/PDF must be legible
 - Should not be unusually small font
 - Spreadsheets should be printed with column headings and at appropriate page breaks
- Excel attachments will be accepted, but should be formatted in accordance with LDH instructions
- Naming conventions
 - See Cover tab in excel template for naming conventions
 - Abbreviations are acceptable
 - Avoid special characters



Cost Report – Required Attachments

- Grouping schedule/crosswalk
 - Must agree to each line item on Schedules F, G and H
 - Must be sorted by cost report line item with subtotals that agree to the cost report
 - Using summations without sorting is not acceptable



Example of Properly Grouped and Summed Crosswalk

		<u>YTD</u>	<u>Actual</u>
	Total 17 - Insurance-Liability		55.13
	20 - Interest-Notes and Loans		
84730		Interest-Notes and Loans	<u>(13.24)</u>
	Total 20 - Interest-Notes and Loans		<u>(13.24)</u>
	21 - Licenses		
84110		Licenses and Permits	<u>65.00</u>
	Total 21 - Licenses		<u>65.00</u>
	22 - Office Supplies		
81030		Office Supplies	<u>07.26</u>
	Total 22 - Office Supplies		<u>07.26</u>
	24 - Motor Vehicles - Gas, Oil, Repair		
87120		Vehicles - Repairs/Upkeep	77.48
87150		Gasoline	45.89
87350		Vehicles - Towing	<u>75.00</u>
	Total 24 - Motor Vehicles - Gas, Oil, Repair		<u>98.37</u>
	26 - Provider Fees (Bed Tax)		
84850		CLS Bed Fees	<u>58.00</u>
	Total 26 - Provider Fees (Bed Tax)		<u>58.00</u>
	28c - Pro Services - Background Checks, DMV Reports, Other		
80120		Fees-Credential Verification	<u>(1.94)</u>
80122		Fees - Background Checks	43.00
80990		Fees-Other Professional	<u>49.65</u>
	Total 28c - Pro Services - Background Checks, DMV Reports, Other		<u>90.71</u>
	30 - Telephone		
82010		Telecommunications	55.64
82030		Telephone-Long Distance/WATS	31.20
82040		Beepers/Internet Services	66.69
82050		Cellular Phone Service	<u>37.50</u>
	Total 30 - Telephone		<u>91.03</u>



Cost Report – Required Attachments

- Depreciation schedules should agree to Schedule H, Part D, Lines 2a to 2c and Part E, Line 9
 - Must correspond to cost report period
- Loan and lease agreements should relate to the cost report period
 - Submit documentation of amendment or month-to-month agreement, if lease has expired
 - Loan agreement should include amortization schedules, if applicable



Cost Report – Required Attachments

- Schedule I adjustment supporting documentation
 - Should be attached for all adjustments
 - Should be labeled with the adjustment number that the support relates to
 - Include computational worksheets or listing of DGL transactions removed or reclassified
 - Include a listing of offset adjustments with detail of the expenses being offset
 - Depreciation schedules are acceptable for adjustments to straight-line basis if amounts on depreciation schedule agree to column c on Sch. H, Parts D and E



Sch. I – Example Non-allowable adj

Professional Fees Expense 6/30/2023

07/05/2022	Vendor 1			195.00
07/05/2022	Vendor 1		Tax Prep	950.00 N/A
07/19/2022	Vendor 1			775.00
10/18/2022	Vendor 1			775.00
10/31/2022 4447	Vendor 3	LC	prep 941X ERC	9,163.73 N/A
01/20/2023	Vendor 1			775.00
04/06/2023 4486	Vendor 2		cost report	1,500.00
04/19/2023	Vendor 1			775.00
				<u>14,908.73</u>

Sum N/A= 10,114 Adj Needed ADJ 6

To remove non-allowable fees			
C15. Accounting	16,409	(10,114)	6,295



Sch. I – Reclassification adjustments

Type	Date	Num	Name	Memo	Cr	Split	Debit	Credit	Balance
Check	05/02/2023		Shell			REGIONS BA...	56.16		2,136.62
Check	05/08/2023		Shell			REGIONS BA...	38.16		2,174.78
Check	05/30/2023		Shell			REGIONS BA...	59.33		2,234.11
Check	06/08/2023		Shell			REGIONS BA...	41.43		2,275.54
Check	06/16/2023		Marathon Petrol			REGIONS BA...	53.19		2,328.73
Check	06/28/2023		LaPlace Express			REGIONS BA...	67.00		2,395.73
Check	06/29/2023		O Reilly Auto			REGIONS BA...	486.32		2,882.05
Total Automobile Expense							F 2,882.05	0.00	2,882.05
Depreciation Expense									
General Journal	05/30/2023	15				Accumulated D...	4,000.00		4,000.00
Total Depreciation Expense							D 4,000.00	0.00	4,000.00
Repairs and Maintenance									
Vechile Expenses									
Check	10/03/2022		Regions Bank			REGIONS BA...	70.00		70.00
Check	11/26/2022	50176	Auto Dealership	Tax Lic Fees		REGIONS BA...	1,000.00		1,070.00
Total Vechile Expenses							F 1,070.00	0.00	1,070.00
Repairs and Maintenance - Other									
Check	09/21/2022		ADP Payroll			REGIONS BA...	503.00		503.00
Total Repairs and Maintenance - Other							F 503.00	0.00	503.00
Total Repairs and Maintenance							1,573.00	0.00	1,573.00
Travel Expense									
Check	09/06/2022		Evolve Vacation			REGIONS BA...	639.36		639.36
Check	05/23/2023		Homeland Suites			REGIONS BA...	769.53		1,408.89
Total Travel Expense							T 1,408.89	0.00	1,408.89
Total TRANSPORTATION EXPENSES							14,185.87	0.00	14,185.87
Total Expense							173,895.20	621.97	173,273.23
Net Ordinary Income							173,895.20	201,114.96	27,219.76
Net Income	To reclassify auto expenses						173,895.20	201,114.96	27,219.76

E7	Auto Insurance	4322-
E8	Gas, Oil, Rep (sum of F)	4455-
E9	Auto Depreciation	4000-
C34	Travel	1409-



Shared Overhead/Central Office Costs

- A cost report should be filed for all central offices and shared overhead costs
- Same required attachments as facility cost report
- Shared overhead costs should be reported on a central office cost report and allocated based on client days or direct costs
 - A central office does not have to be a separate physical location, it can be group of employees that work at one facility who provide services to other facilities
 - More than one central office cost report might be required if the shared costs are segregated by function or region
 - All entities managed must be on the allocation schedule



Other Shared Costs

- Shared costs that are not central office costs
 - Examples
 - Administrator also works for related home health provider
 - Nurse serves as administrator and DON
 - Must have a basis for allocation even if allocated through the monthly general ledger process
 - Dividing an invoice or salary expense by the number of facilities is not acceptable
 - Basis must relate to services provided
 - Ex: Hours for salaries, square feet for building/fixed costs, usage statistics for other variable costs



Shared Costs

- Examples of shared costs that do not require a cost report, but do require supporting documentation
 - Building costs - Example: An ADHC program and a NOW waiver program share a building. Building costs such as depreciation, property taxes and insurance, utilities should be allocated based on square feet used by each
 - Workers' compensation – Example: All workers' compensation may be paid and recorded on ADHC but the W/C payments also relate to NOW waiver employees. Each entity should be allocated workers' compensation expense based on salaries



Shared Costs

- Shared salaries
 - Time records should be maintained for time worked at each related program, if employee or contractor works at more than one program
 - Time records should be maintained for time worked for each position, if employee or contractor performs more than one job at the ADHC
 - PRM allows for weekly time studies instead of actual time records. However, require monthly recordkeeping and must be the standard set by the federal rule



Attendance Records

- Maintain accurate monthly attendance reports
 - Use these reports to summarize quarter hour increments and days for disclosure on Schedule B of the cost report
- Affirmative census
 - Should be performed and documented daily
 - Should be maintained by payor type
 - Medicaid, private, VA, etc.
 - Should include totals by client and by month



Basic Cost Principles

- Allowable cost
 - Reasonable
 - Expectation is that the provider seeks to minimize costs
 - Costs do not exceed what a prudent and cost-conscious buyer would pay
 - Related to client care
 - Necessary and Proper
 - Costs to develop and maintain the operation of client care facility and activities
 - Costs which are common and accepted occurrences in field
 - Provider may buy goods or services that are not allowable, but they must be adjusted on Schedule I of the cost report
- Generally accepted accounting principles (GAAP) are required (i.e., accrual basis of accounting)



Basic Cost Principles

- General Non allowable costs – Sec 717 C.
 - Services for which Medicaid recipients are charged a fee
 - Depreciation of non-participant care assets
 - Services reimbursable by other state or federally funded programs
 - Goods or services unrelated to participant care
 - Unreasonable costs.



Basic Cost Principles

- Specific Non allowable costs – Sec 717 D.
 - Advertising to general public that seeks to increase attendance
 - Bad debts
 - Contributions/donations
 - Courtesy allowances
 - Director's fees
 - Education costs (related to clients, not staff)
 - Gifts
 - Goodwill or interest on goodwill
 - Cost of income producing items such as fundraising costs



Basic Cost Principles

- Non allowable costs, continued
 - Income taxes
 - Insurance on officers/key employees if insurance is not offered to all employees
 - Judgments or settlements of any kind
 - Lobbying costs or political contributions
 - Nonparticipant entertainment
 - Non-Medicaid related costs – costs related to non-licensed areas
 - Officer's life insurance with center or owner as beneficiary
 - Payments made to parent organization or related party



Basic Cost Principles

- Non allowable costs, continued
 - Penalties and sanctions
 - Insufficient funds charges
 - Personal comfort items
 - Personal use of vehicles



Basic Cost Principles

- Other costs
 - Depreciation is allowable under the following rules:
 - straight-line only
 - must capitalize all items with a cost of \$5,000 and a useful life of at least two years
 - Interest related to assets
 - Expense only the interest portion of monthly payments
 - Ex. Entire car payment is not allowable – only the interest component



Basic Cost Principles

- Other costs
 - Salary is allowable if supported by written documentation
 - Up to limits (see LDH letter dated 7/1/24)
 - LDH limits also apply to all shared personnel as well as all owners and related parties



Basic Cost Principles

- Other costs
 - Related party – Ch. 10 in PRM
 - Owner's salary
 - See later slide
 - Salaries of other related parties
 - Must meet the same standards discussed on the later slide
 - Rent/lease expense
 - Allowable to the extent of the underlying cost to the related party. Costs should be properly classified (i.e., depreciation should be reported on the depreciation line, interest on the interest line of the cost report, etc.)



Basic Cost Principles

- Other costs
 - Unsupported costs
 - Credit card statements and journal entries require additional support such as individual invoices or travel vouchers
 - Costs with no documented business purpose
 - Examples of required documentation:
 - Invoices
 - Contracts
 - Travel vouchers
 - Mileage logs
 - Timecards



Basic Cost Principles

Owner's Compensation

- The Medicare Provider Reimbursement Manual (PRM), Chapter 9 addresses compensation of owners. The following briefly summarizes some PRM principles for owner's compensation:
 - Owner's compensation means the total benefit received by the owner including salary, amounts paid for the owner's benefit by the facility, the cost of assets and services received from the facility by the owner, and deferred compensation.
 - Reasonableness requires that the owner's compensation be such an amount as would ordinarily be paid for comparable services and must be supported by sufficient documentation such as job descriptions and time sheets/records to be verifiable and auditable.



Basic Cost Principles

Owner's Compensation (cont'd)

- Necessary requires that had the owner not furnished the services, the institution would have had to employ another person to perform the services.
- §904.2(D)(1) states, *"Presumably, where an owner performs services for several institutions, he spends less than full time with each institution. In such cases, allowable cost shall reflect an amount proportionate to a full-time basis."* Therefore, owners' compensation is limited to one full time equivalent position in the Louisiana Medical Assistance Program, no matter how many participating facilities the owner may have.
- In addition, owner's compensation is limited by LDH to the compensation of administrators.



Other Facility Records

- Employee Records
 - Written verification of hours worked including date and number of hours
 - Applies to contractors or consultants

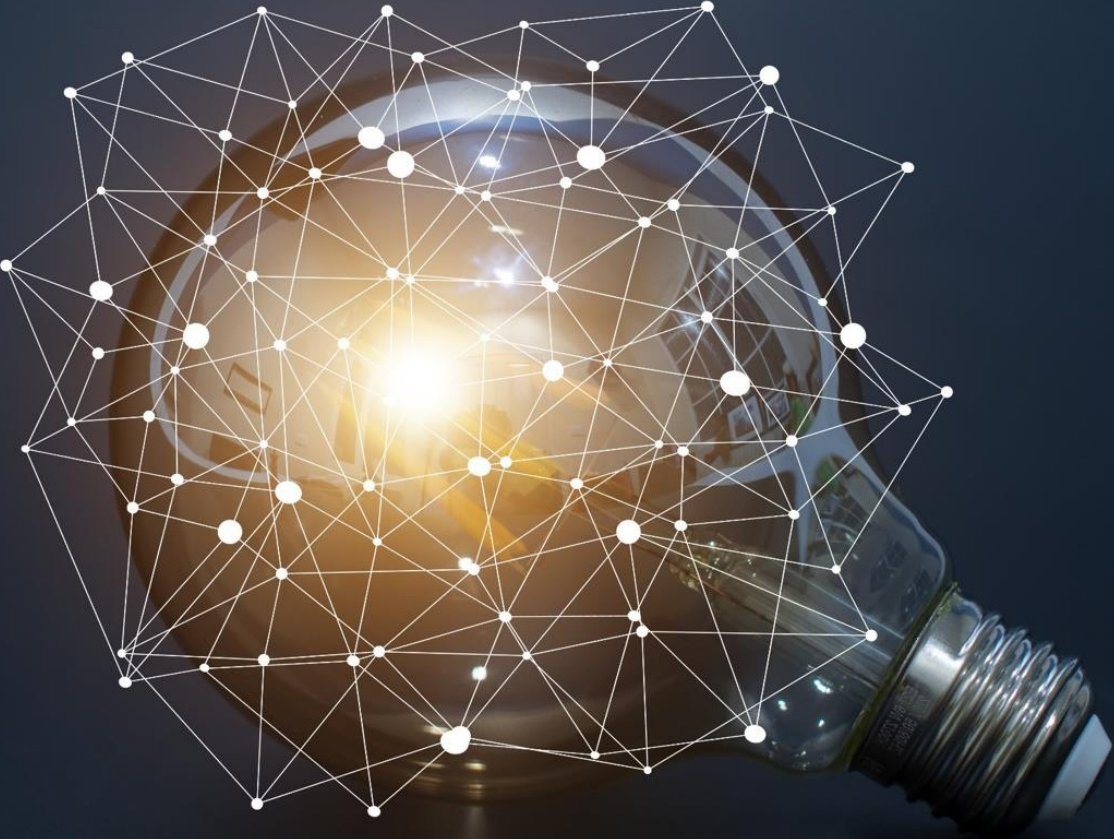


Contact information

For assistance with:		
Excel template issues and transmittal questions	Myers & Stauffer	Lacostreports@mslc.com
Cost report extensions, rate setting and general guidance	LDH Rate & Audit	Lindsey.nizzo@la.gov
Informal review requests	LDH Rate & Audit	P.O. Box 91030 Baton Rouge, LA 70821-9030
Questions related to audit notification letters and on-going audits	EisnerAmper	Diane.bridges@eisneramper.com



Questions?



Thank You





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