



Bobby Jindal
GOVERNOR

STATE OF LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS



February 28, 2008

Dear Administrator or Corporate Officer:

RE: Nursing Home Cost Report Filing Changes and Updates

Cost Reports are due five (5) months after the nursing facility's cost report period ends. Cost Reports with a December 31, 2007 year end are due in the Rate & Audit Review office by **May 31, 2008**.

Refer to the Medicaid Supplemental cost report checklist when preparing your facility's cost report. Any cost report submitted to the department with missing documents, signatures, diskettes or cds, will be considered an incomplete cost report and will not satisfy the requirements for timely filing. Please be sure to include along with your facility's cost report, the required central office or management company's cost report. As stated in section C-2(d) of your Provider Agreement with the State of Louisiana, a penalty of 5% of the total monthly payment for each month of non-compliance will be imposed. This penalty may be progressive by 5% for each succeeding month until all completed information is received.

Please pay close attention to the following requirements on the Medicaid Supplemental Cost Report:

Allowable Leave Days – All hospital and home leave days paid by Medicaid **MUST** be reported in column (j) on page 3 of the Supplemental Cost Report. The census records maintained by the provider must properly identify and accumulate all hospital and home leaves paid by Medicaid to support the days reported on the Supplemental Cost Report.

Property Tax and Property Insurance – Requires a copy of all property tax notices and related check copies, and all property insurance invoices and related check copies.

Refer to letter dated May 1, 2007 regarding Care-Related Expenses for **Cost Report Periods Beginning Prior to July 1, 2007**: Instructions that were provided during the initial training sessions for the nursing facility case mix reimbursement system may have led some to believe that the following expenses were also included in the care-related rate component. Although this was not the intent or how the rates were actually established, these expenses will be allowed for purposes of calculating the care-related floor. This

will ensure providers are not inappropriately subjected to the spending floor for cost reports beginning prior to July 1, 2007.

- *Pharmacist Consultant*
- *Physician Consultant*
- *Dietitian Consultant*
- *Records Librarian Consultant*

Refer to the link below to obtain a copy of the letter referenced above:
<http://www.dhh.louisiana.gov/offices/publications.asp?ID=111&Detail=2021>

Please make sure your cost report preparer has a copy of ***the Detailed Instructions for Filing FY 2007-08 Nursing Home Cost Report*** that is attached to this letter.

If you require further information, please contact Beth Taranto at (225) 342-5773.

Sincerely,



Kent Bordelon, Director
Rate and Audit Review

KB:cq

cc: Meyers & Stauffer
Postlethwaite & Netterville

DETAILED INSTRUCTIONS FOR FILING FY 2007-08 NURSING HOME COST REPORT(S)

The cost report packet submitted to our office must include two (2) paper copies of the Medicare cost report (Form 2540-96), the Medicaid supplemental cost report and the home office cost report (Form 287-05). Also, include two (2) paper copies of the attachments. One copy of the electronic file for both the Medicare cost report and the Medicaid supplemental cost report must be submitted on diskettes with the paper copies.

This packet will be reviewed to determine if all required information was received in our office, including:

- a working trial balance that ties to the Medicare cost report by cost center line item
- cost report reimbursement questionnaire (CMS339)
- annual audit, compilation, or review report from an independent accountant (if applicable)
- the Medicare PS&R
- lease agreements
- loan agreements
- depreciation schedule which reconciles to the supplemental cost report
- amortization schedule
- SEC form 10-K (if applicable)
- IRS payroll forms 941 and/or State unemployment tax reports
- facility license
- management contract
- property tax and property insurance invoices and cancelled checks
- proof of payment for administrator and assistant administrator salaries such as year to date payroll journal or W-2
- related party central office allocation schedule
- All other items required on the checklist at page 1 of the Medicaid supplemental cost report

Below are other issues which require your attention:

- **Signatures** – Original signatures are required on the Medicaid Supplemental cost report, the Medicare cost report (2540-96), the home office cost report (287-05), and the cost report reimbursement questionnaire (CMS 339) submitted to Rate and Audit Review.
- **Electronic Files**- The electronic files required must be in the correct electronic cost report (ECR) format. Providers should use the utility features in Medicare software (Generate Electronic CR File) and Medimax software (Utilities/Download Data to Diskette) in order to ensure that the correctly

formatted electronic file is generated and filed. ECR files in the incorrect format will be rejected.

- **Salary Maximums** – The maximum allowable salary for the Administrator (AS624) is \$122,595. The maximum salary for the Assistant Administrator (AS622) is \$107,078. Documentation to support these salaries must be submitted. Such documentation would include payroll journals and W-2's (for calendar year providers) Note: W-2's are on the cash basis and, if provided, should be reconciled to the accrual basis salary reported on the cost report. Salary maximums apply to all home office personnel also.
- **Depreciation Expense** – Depreciation expense reported on the Medicaid supplemental cost report Schedule D should agree to the depreciation schedule attached to the cost report. If not, provide a reconciliation.
- **Purchase of Assets** – Fixed assets acquired through a purchase of assets in use in the Medicare/Medicaid programs must be recorded at the original owner's net book value. No step-up in basis is permitted. Depreciation expense and related interest expense, if any, must be adjusted if a step-up in basis was recorded at the time of purchase.
- **Crosswalk to Worksheet A** – The trial balance submitted with the cost report must include cost center totals that agree to columns 1 and 2 on Worksheet A of CMS Form 2540. Trial balances without cost center totals will be rejected as insufficient support for the costs reported on Worksheet A. The crosswalk should clearly show which accounts are included in each cost center. For example:

Acct Number	Acct title	Amount
444	Administrator salaries	\$1,000
445	Asst. Admin salaries	\$1,000
446	Clerical salaries	\$2,000
Total A&G salaries		\$4,000 this total should agree to Worksheet A, line 4, column1

- **Supplemental cost report** – All lines and columns in all sections of the supplemental cost report should be completed even if the appropriate response is "none" or "not applicable" or "\$0". *All home offices should submit a Medicaid supplemental cost report.*
- **Allowable Leave Days** – Page 3 of the supplemental cost report includes a column titled "Allowable Leave Days". All hospital and home leave days that are paid by Medicaid should be reported in this column and should be excluded from columns b through e. Paid bed hold days should be reported in column h if payment is received from the resident or responsible party after allowable leave

days are exceeded for Medicaid residents and for leave days for non-Medicaid residents. The provider must maintain census records which identify and summarize allowable leave days and paid bed hold days. The provider's census records must support the census days reported on Worksheet S-3 of the Medicare cost report and page 3 of the Medicaid supplemental cost report.

- **Property Taxes** – All property taxes should be reported on lines 1 or 2 on Worksheet A. Property taxes reported on line 1 on page 12 of the supplemental cost report should agree to the property taxes reported on Worksheet A. If related party property taxes are added to allowable costs on Worksheet A-8-1, the provider should include those property taxes on line 1 on page 12 of the supplemental cost report. The **property tax notices** and **related check copies** are the required supporting documentation for property taxes. Copies of checks only are **NOT** sufficient. This documentation requirement includes any property taxes paid by a related party that are reported as allowable costs on Worksheet A. If a provider is exempt from property taxes, please affirmatively note that exemption in the supporting documentation submitted with the cost report. If the provider's cost report period is not the same as the property tax period, the provider must include all property tax notices that relate to the cost report period and a supporting schedule documenting the amount of each tax notice recorded in the cost report period.
- **Property Insurance** – Only property insurance (including autos) should be reported on lines 1 and 2 of Worksheet A. Other insurance such as general liability, malpractice or employee related health insurance should be reported appropriately in other cost centers. If the provider's general ledger does not segregate insurance for appropriate reporting on Worksheet A of the cost report, the provider must perform an analysis of the insurance account(s) and make reclassification entries, as necessary, on Worksheet A-6 of the cost report. Property insurance reported on line 2 on page 12 of the supplemental cost report should agree to property insurance reported on Worksheet A. **Invoices/premium notices** for property insurance and **related check copies** are the required supporting documentation for property insurance. A copy of the financing document only is **NOT** sufficient. The invoice (and any related supporting schedule) must segregate the property insurance from other types of insurance and must include the policy period. If a supporting schedule is included, it should reconcile to the invoices submitted and to the allowable property insurance reported on Worksheet A. Also, if the property insurance premium period is not the same as the provider's cost report period, the provider must include all invoices that relate to the cost report period and a supporting schedule documenting the amount of each invoice recorded in the cost report period.
- **Name and Related Party Status of the Administrator and Assistant Administrator** – Page 12 of the supplemental cost report requires that the provider provide the names of the administrator(s) and assistant administrator(s) during the cost report period. In the same section, the provider must state

affirmatively “yes” or “no” if the administrator(s) or assistant administrator(s) reported on page 12 are related parties as defined in the Provider Reimbursement Manual, Part I (HIM-15).

- **Food cost** – Food costs reported on line 4 on page 12 of the supplemental cost report should include food supplements.
- **Contract services** – Contract services reported on line 3 on page 12 of the supplemental cost report should only include contract nursing staff. Consultant RN’s, physicians, pharmacists, etc. should NOT be included.
- **Nurse Aide Training & Testing costs** – The Worksheet A line and column number must be disclosed for any nurse aide training and testing costs reported on page 10 of the supplemental cost report. Also, salaries and benefits reported on page 10 of the supplemental cost report should be that of instructors only, not the nurse’s aides.

Providers should also refer to the updated Medimax instructions on the Medimax website/ <http://www.medimax.com>.

If you require further information, please contact Beth Taranto at 225-342-5773.