**2014 ICFIDD**

Formerly: **ICFMR**

# HOME OFFICE COST STATEMENT

## INSTRUCTIONS

## The Cost Reporting System

The **Intermediate Care Facility/Mental Retardation Home Office Cost Statement** software will allow you to input the financial information required by the Division of Medical Assistance, create the cost report for review, and transfer that information to the Audit Section of DMA. The software will run on an IBM compatible personal computer. Although it can be installed in a multi-user network environment, specific procedures do not provide simultaneous access by more than one user at a time. Therefore, it should be treated as a stand-alone application rather than networked.

### The User Manual

This user manual contains important information concerning the operation of the **Home Office Cost Reporting System**. Prior to using the software, please read this document in its entirety.

### Filing the Cost Report

After you have completed all required inputs for the Cost Statement, and verified the accuracy of the printed Cost Statement, complete and sign the Certification Form following the instructions given at the end of this manual. After the above requirements have been accomplished, prepare 3½" diskettes containing the cost report data files following the instructions found at the end of this manual. Send the diskettes and the Certification Form according to the following schedule:

| Cost Report | Due Date | Send Via US Mail To | Alternate Shipping |
|---|---|---|---|
| Home Office Cost Statement | Sep. 30, 2014 | Desk Audit Section<br>Division of Medical Assistance<br>2501 Mail Service Center<br>Raleigh, NC 27699-2501 | Desk Audit Section<br>Division of Medical Assistance<br>**333 East Six Forks Rd, Suite 200**<br>**Raleigh, NC 27609** |

If you have any questions regarding the requirements or completion of the **Intermediate Care Facility/Mental Retardation Home Office Cost Statement**, please call the Audit Section of the Division of Medical Assistance at:

(919) 814-0030

You may also receive important information and answers to some Frequently Asked Questions by visiting the Audit Section Web Site at:

http://www.ncdhhs.gov/dma/cost/icfmrhomeoffice.htm

You can also find answers to many questions relative to the Home Office reporting requirements by visiting the CMS Web Site at:

http://www.cms.hhs.gov/manuals/pbm/list.asp

For questions regarding the operation and use of the **Home Office Cost Reporting System** software, please call a Division of Information Resource Management computing consultant at:

(919) 855-3200

The **Home Office Cost Reporting System** must be installed onto your hard disk before it can be used. If you received diskettes from DMA, follow the directions below for proper software installation. If you downloaded the program using the Internet, follow the installation procedures given on the Web site using the following URL – http://www.dhhs.state.nc.us/dma/cost/install.pdf site.

| STEP | ACTION |
|---|---|
| 1 | You may install this software by using Windows File Manager, Windows Explorer or a **DOS** prompt screen. |
| 2 | Insert the diskette labeled **Cost Reporting System Installation Disk #1** into diskette drive A or B |
| 3 | Locate appropriate Drive **A: or B:** where the diskette was inserted. |
| 4 | Locate and double click the filename **INSTALL.BAT** or key **INSTALL** if using DOS and press the **Enter** key. |
| 5 | Follow the on-screen instructions to complete the installation, inserting the diskette labeled **Installation Disk #2** into the diskette drive when prompted to do so. |
| 6 | When the installation is complete, remove the last diskette from the diskette drive and store the diskettes together in an appropriate location. |

To start the **Cost Reporting System**:

1. Locate the drive where the program was installed using DOS or Windows and make it the active drive or working directory.
2. Change to the sub-directory where the program was installed by using your mouse or by keying:

   **CD \ HOICF14**

3. Next, double click the file **COSTRPT.BAT** or key **COSTRPT** at the DOS prompt and press the **Enter** key

The system will display the System Menu as shown in Figure 1 on the next page. Click on the **File** menu and choose **Add New Cost Statement** to get started. This option will present the General Information Schedule input screen for you to begin. After this is completed, the system will present a series of menus and options designed to guide you logically through the process of completing the report.
First time users are urged to print a "blank" copy of the Home Office Cost Statement by using the **Utilities** menu **Print Blank Cost Report** option to follow along with the instructions in this guide.

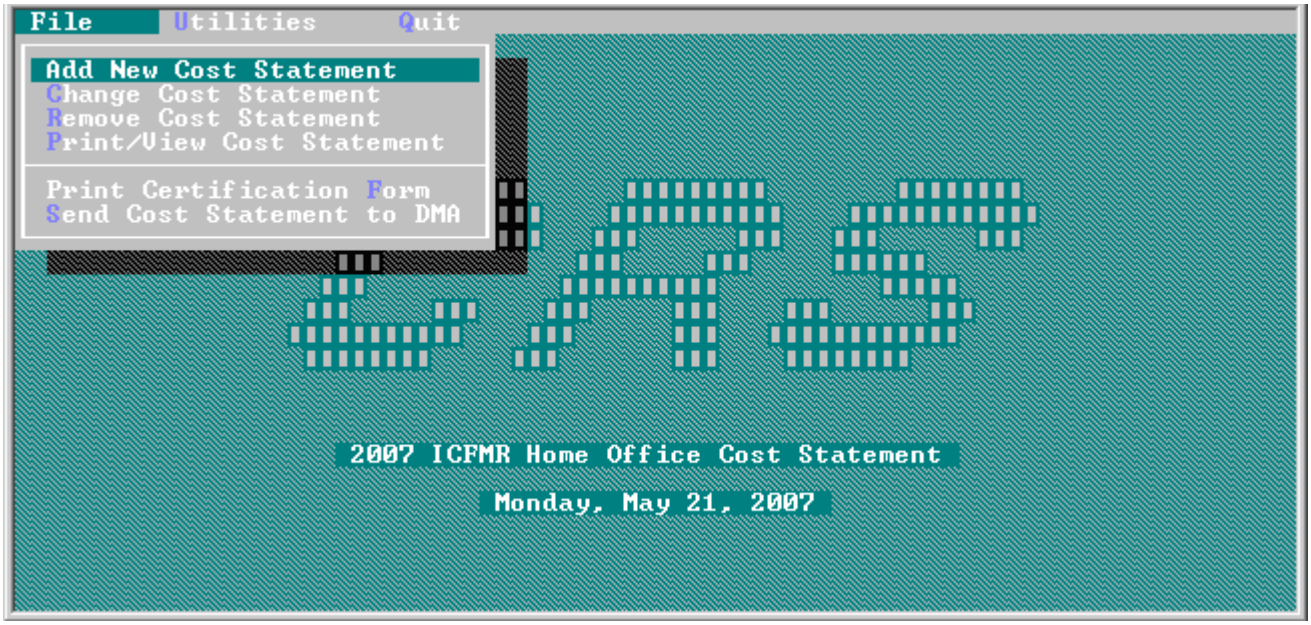


Figure 1 - Main System Menu

Figure 2 below shows the options available on the Utilities drop down menu.

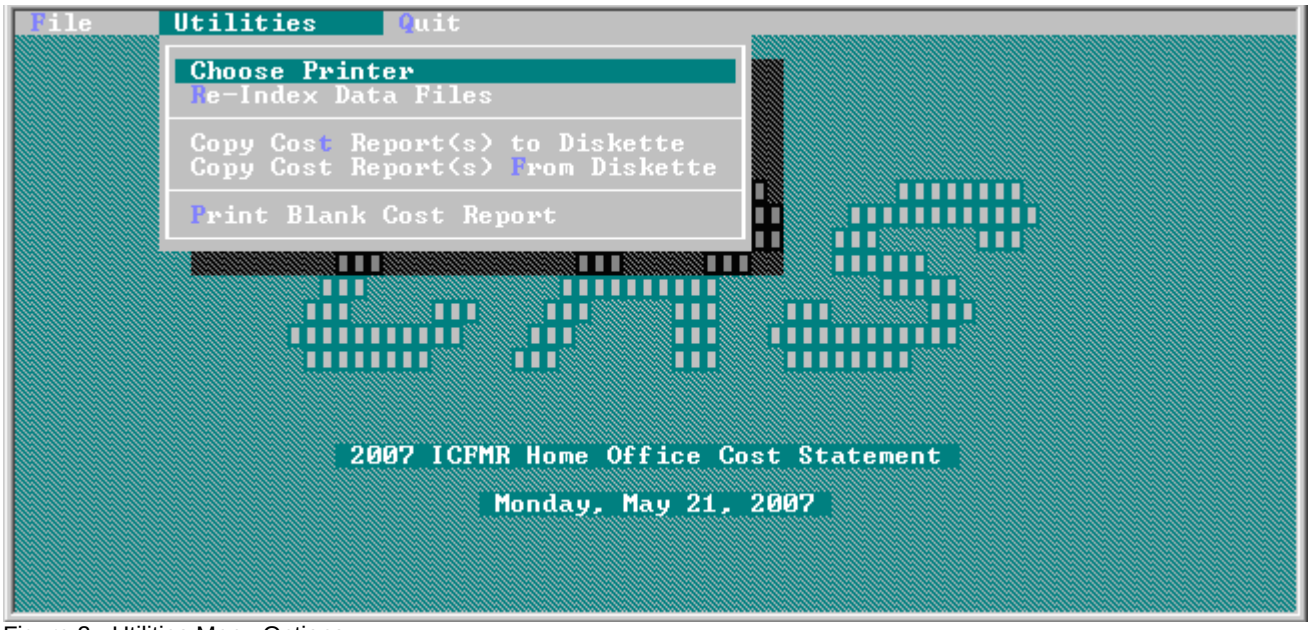


Figure 2 - Utilities Menu Options

The menus are structured much like the ICFMR Provider software and you should refer to that manual for general operating instructions. Note -- When starting the first time after installation, you will be asked to specify the type of printer you are using and the printer port it is attached to on your computer. You should use the same printer emulation that you used with your regular ICFMR Provider software.

If unsure, follow the instructions given below to activate the printer settings—

## Printer/Port Selection

When this option is selected, the **Printer/Port Selection** screen will be displayed, (Figure 3). To select the printer, press the **Up** or **Down Arrow** key to highlight the name of your printer. Then, press the **Tab** key to move to the Port selection.

To select the Port, press the **Up** or **Down Arrow** key or the **Tab** key to highlight the port where your printer is attached, then press the **Space Bar** to select it. Press the **Tab** key to move to the < **O**k > push-button. Press **Enter** to accept your changes and return to the menu. As shown in Figure 3, a new option has been added for use with USB printers that have no parallel port connectors and are not compatible with DOS printer drivers.

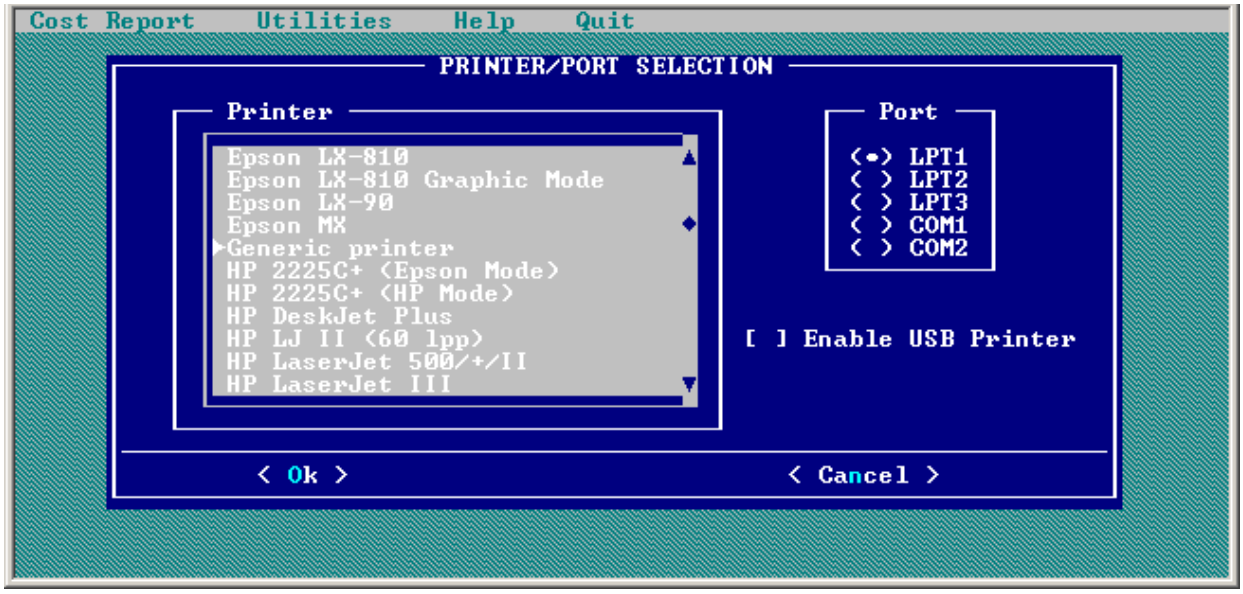


Figure 3. Printer/Port Selection Screen

## If Your Printer Is Not Listed

If you cannot find your specific printer in the list of printers displayed, refer to your printer's manual to determine the printer or printers your printer can emulate. Choose that printer from this list. If no manual is available, you should try one of the following “industry standard” emulations:

(a) Epson LX-810 Graphic Mode or

(b) HP LaserJet III

If neither of these emulations work, you may contact a Division of Information Resource Management computing consultant at (919) 855-3200 for assistance. If you have recently purchased a new computer and printer, you may have a USB connection to that printer. See the next paragraph for information on how to activate the USB functionality.

## If Your Printer Has a USB Connection

If you cannot find your specific printer in the list of printers displayed and you have a brand new computer, you may have a USB printer connection to your printer that does not work with the older port and emulation options. If you know you have a USB printer connection and can not use the normal printer settings, you should activate the new "**Enable USB Printer**" option and see if that works. The option requires the use of a special start-up procedure to activate the new printing code. When you initiate this special start-up, the program turns on a "PrintFile Spooler" program and you will see a small icon on the status bar. The spooler captures the print jobs sent from the cost reporting software and routes it to the default printer set for your computer. Refer to the instructions below to activate this functionality:

To start the **Cost Reporting System** with the USB active:

1. Go to (C:\) drive where the software was installed and make it the active working directory.
2. Locate the **C:\ HOICF14** folder where the program is installed
3. Double click the file **COSTRPTW.BAT** to activate the USB program code. You should create a shortcut to this file for your desktop to make starting the program easier.

If you had previously set the printer emulation and port during the installation, you must go back and select the "**Enable USB Printer**" option to correctly activate the USB printing. To do this, go to the **Utilities** menu and select the "**Choose Printer"** option and then check the "**Enable USB Printer**" option (see Figure 3).

Be aware, the "PrintFile Spooler" program does not automatically shut down when you close the NC Medicaid software. This is normal to protect your printing should you accidentally shut the cost report program down. You may right click the spooler icon and choose "**Exit**" or shut down you PC.

If you have problems with this procedure or need assistance, please contact a Division of Information Resource Management computing consultant at (919) 855-3200.

The next part of this guide will explain the steps necessary to complete each schedule of the Home Office Cost Statement much like the guide did in previous years when you were mailed a hard copy to complete.

## GENERAL INFORMATION

The General Information section consists of Schedule 1 and is intended to provide the Home Office auditor with data on the chain Home Office and the cost statement being filed. As you complete each schedule of the cost statement, you may print or view the output at any time. As shown in Figure 1 above, the option **Print/View Cost Statement** will allow on-screen viewing of the data. You are strongly urged to print the General Information Schedule and check each chain component carefully for all data as this step is critical to the software calculating the report correctly. Making changes to a chain facility's name, FYE, or provider number after you have completed Schedules 7 and 8 can cause the software to become confused and produce unpredictable results. Please print and verify the data immediately after completing Schedule 1.

**Schedule 1 Information and Certification** -- Refer to Figure 4 for screen details.

## Part I General Information

**Item 1** Enter the Home Office name. If there was a change in name during the reporting period, indicate the former name in parentheses.

**Item 2** Enter the current mailing address of the Home Office.

**Item 3** Enter the present telephone number for the Home Address.

**Item 4** Indicate if a Home Office or Related Party, describe service(s) and/or goods and enter the cost reporting period covered by the cost statement. This will indicate whether a full year or lesser period cost statement is submitted.

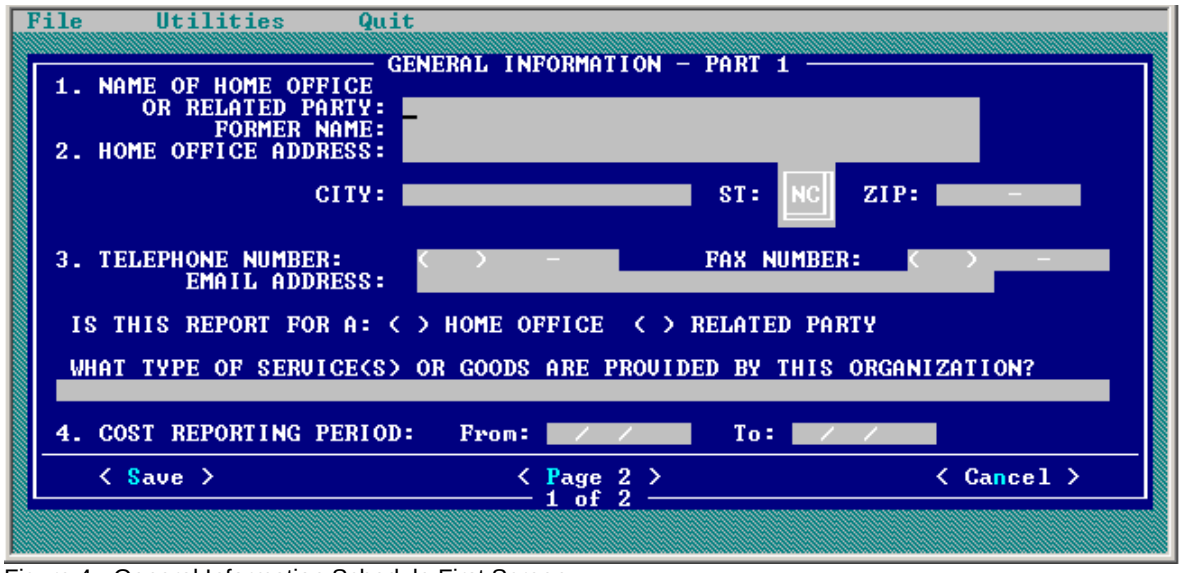


Figure 4 - General Information Schedule First Screen.

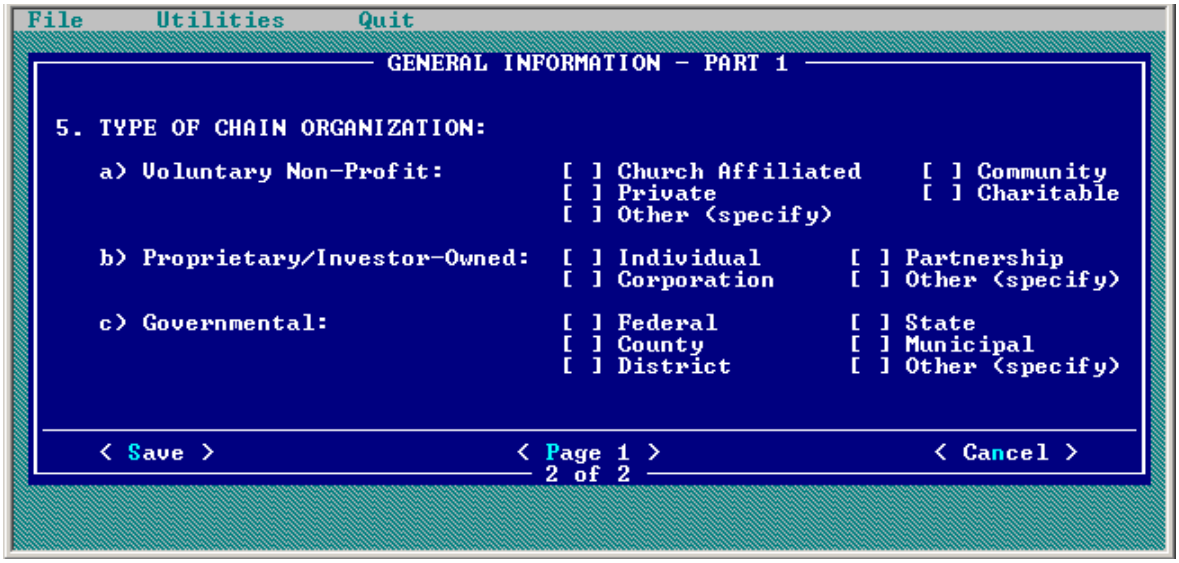


Figure 5 - General Information Schedule Second Screen.

**Item 5** On screen two, check the appropriate item to indicate the type of chain organization. All chain organizations must complete the cost statement forms pertaining to Home Office costs (Schedules 2 through 9). Proprietary chain organizations must also complete the Schedule 10 Balance Sheet.

After completing both of the above screens, the user will be presented a small menu of options to complete the remaining general information data. They should be completed in the order as shown in Figure 6.

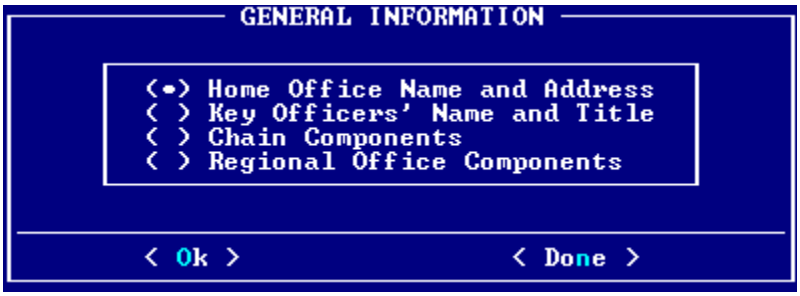


Figure 6 - General Information Sub Menu

**Item 6** Select the **Key Officer's Name and Title** option to enter the names of key officers of the Home Office. Click the < **List** > option to open the section allowing for multiple entries. Be particularly careful to **< Save >** you work each time you are ready to leave a screen.

**Item 7** Selecting the Chain Components option from the menu shown above will present a secondary menu as shown in Figure 7 to allow the user to list all the various components of the chain organization. This listing must include health care facilities which are owned, leased, or through any device controlled by the chain organization. Other non-healthcare components as well as divisions or regional offices of the Home Office must also be listed. The name and state where the facility is located must be entered.

Figure 7 - Chain Component Selection Menu

The providers should also be referenced by fiscal year end, provider number, and local intermediary. To do this, there are follow-on screens that allow input of this information for each component as necessary. See Figures 8, 9 and 10 for examples of these screens. When keying names of each component, be mindful that this will be the key item to locate the component and should distinctly identify the facility on each screen.
If two or more facilities have similar names, use additional wording to help pin point this facility later on. All selection screens are sorted alphabetically but not all display the provider number because of space limitations.

There is a new **State** entry field with a selection list to choose from. Simply **Tab** to the new field and depress enter or hold down the left mouse button and highlight the desired state name. Also, all Medicare numbers are being replaced by the new National Provider Identifier (NPI) and you may enter either one at this time.

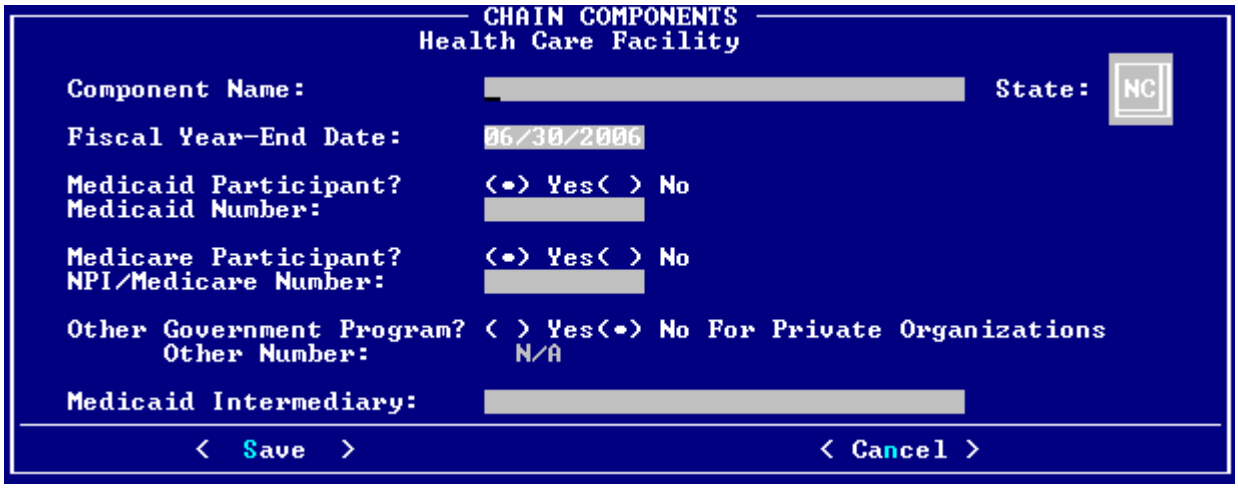


Figure 8 - Health Care Facility Chain Component Input Screen

Figure 9 - Other Non-Health Care Facility Input Screen

Figure 10 - Regional Office Input Screen

## Part II Certification by Officer of Home Office

The certification form is now a separate item from Schedule 1. The certification statement must be completed on all Home Office cost statements submitted. The auditor will reject any cost statement filed without a completed certification statement. The software has an option - **Print Certification Form** - on the **File** drop down menu as shown in Figure 1 that prints a partially completed Certification Form to be filled in, signed and dated by the president, owner, or responsible officer of the Home Office. The Audit Section must have an original signature document and will not accept a facsimile copy.

## HOME OFFICE COSTS

The section pertaining to Home Office costs consists of Schedules 2 through 9 and is intended to provide the auditors with:

**(a)** a detailed analysis of allocable Home Office costs beginning with the trial balance of expenses (Schedule 2)

**(b)** Medicaid adjustments to those costs (Schedule 3)

**(c)** a statement of costs from related organizations (Schedule 4)

**(d)** allocation of the direct, functional, and pooled Home Office cost (Schedules 5, 6, 7)

**(e)** a summary of allowable Home Office costs by chain component (Schedule 8)

**(f)** a statement of revenue and expenses (Schedule 9)

Refer to the Provider Reimbursement Manual (CMS Pub 15-1), Sections 2150 and 2153 for Medicaid guidelines.

Once the user has created the initial General Information schedule using the **Add New Cost Statement** option shown in Figure 1, the system will then make all schedules available to the user through the **Change Cost Statement** option. Multiple Home Office cost statements may be created using the software. After choosing the desired named report, a list of available forms/schedules will be presented as shown below in Figure 11.

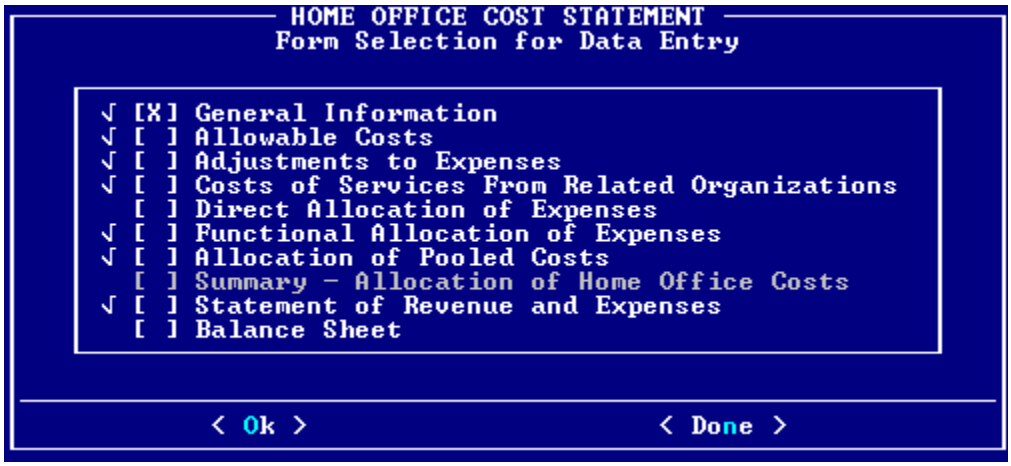

Figure 11 - Form Selection Menu

In the illustration above, the user has entered some data into all schedules except the Direct Allocation of Expenses form and the Balance Sheet as indicated by the check √ to the left of the selection box. Be aware, some schedules may not be available depending on the type of chain organization checked on Schedule 1.

## Schedule 2 Statement of Allowable Costs

This section of the Home Office Cost Statement begins with the entry of the trial balance of expenses per the Home Office books. As other schedules are completed, Schedule 2 will automatically update each column and you may view the results at any time using the **Print/View Cost Statement** option found on the **File** drop down menu.

**column 1** Enter the Home Office expenses as shown in the Home Office records. Use audited data if available; if unaudited figures are used, it should be noted on the Certification Form in Part A.

The Grand Total for Expenses Col. 1 must agree with Schedule 9, line 2. This is not automatically done by the software and the user must enter the correct amount on Schedule 9.

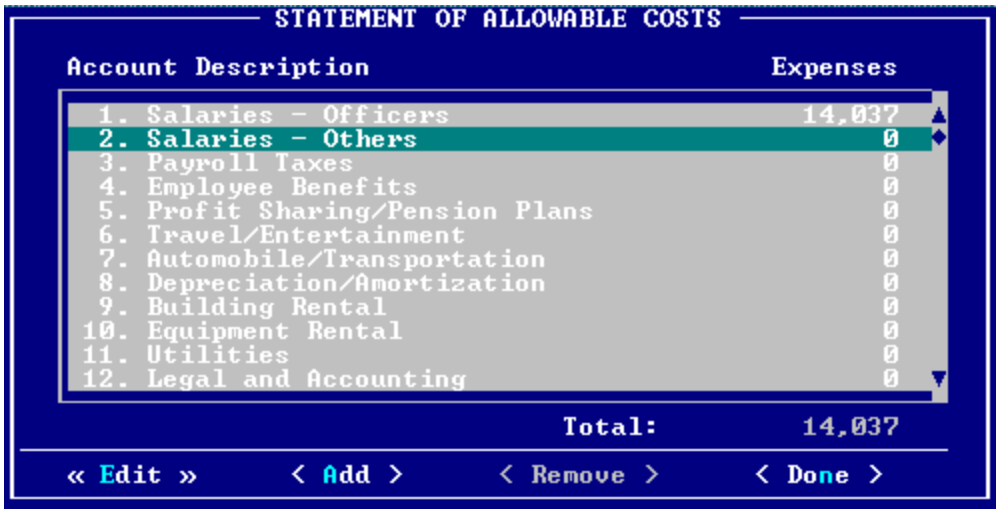


Figure 12 -- Column 1 Account Selection Screen for Expenses per Home Office Books

To make an entry, highlight the desired account and click the **<< Edit >>** option; Figure 12. A second screen will appear where you may enter the amount of expense; Figure 13.

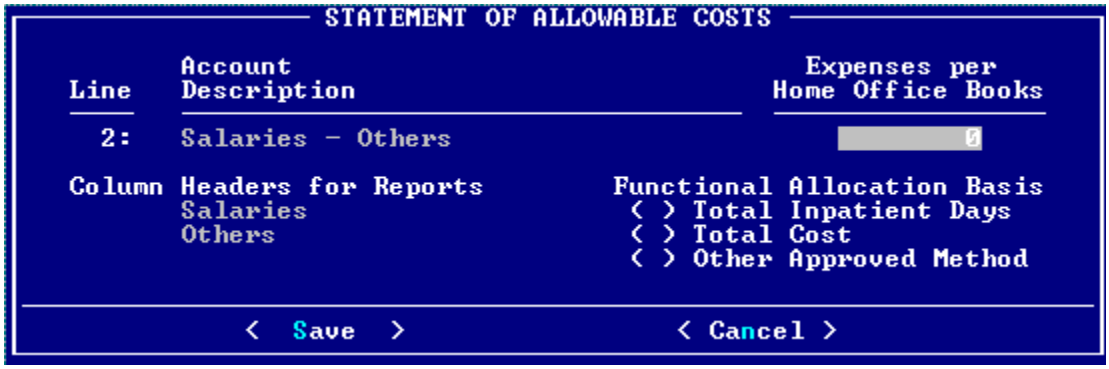


Figure 13 - Entry Screen for Expenses per Home Office Books

After entering the amount, the user must choose the allocation basis that will be used if any portion of this expense is functionally allocated to a chain component. The entries may be changed at any time if necessary.

## Schedule 2, continued

The user also has the option to create additional line item expense accounts to identify peculiar expenses that are not readily identifiable as belonging to one of the 23 pre-filled accounts. When using this screen, the user may enter a detailed account description to be printed on Schedule 2 as well as an abbreviated description for Sch. 5 and 6 printouts. See Figure 14 below. Remember to always save each entry or else the data will not become effective. As always, the user may choose to cancel at any time.

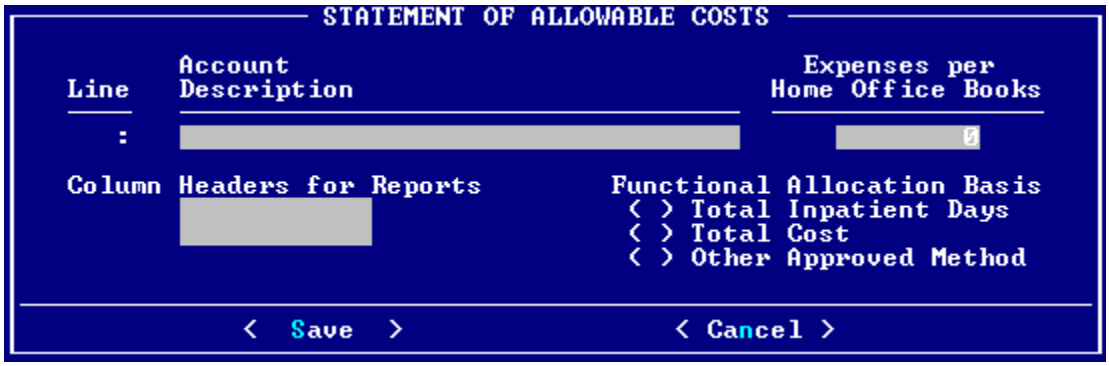


Figure 14 - Input Screen to Add an Account to Schedule 2

To view and/or print form entries, exit from the screen using the **< Cancel >** or **Esc**ape key. Keep in mind, the **Esc**ape key will exit any current screen and return the user back to the previous screen (or menu) all the way back to the main starting menu. Next, locate the **Print/View Cost Statement** option and choose that function. The program will present a list of cost statements for you to pick from. Highlight the desired file and use the Space Bar or right mouse button to place a check √ beside the file to be viewed/printed (see Figure 15) and select **< Ok >**.

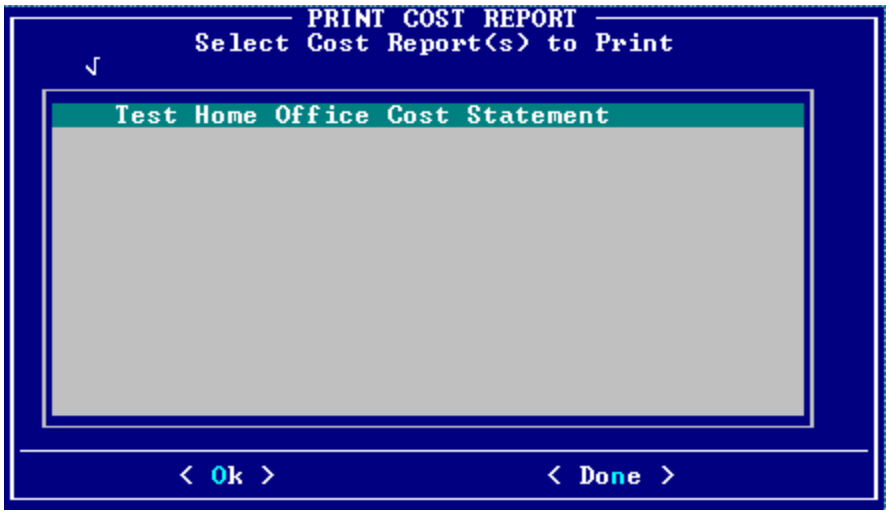


Figure 15 - Cost Report Selection Screen for Viewing or Printing

The next screen to appear will be a form selection screen (Figure 16) from which you may select any <u>one</u> schedule to "View" or any combination of forms to "Print". After all entries have been completed on the cost statement, the print option **Final Cost Report** is available to make a hard copy for final verification. It is strongly recommended that every user print a hardcopy of Schedule 1, General Information, and verify the accuracy

## Schedule 2, continued

of every chain component prior to completing any other schedules. See Figure 17 for an example of the print viewer output.

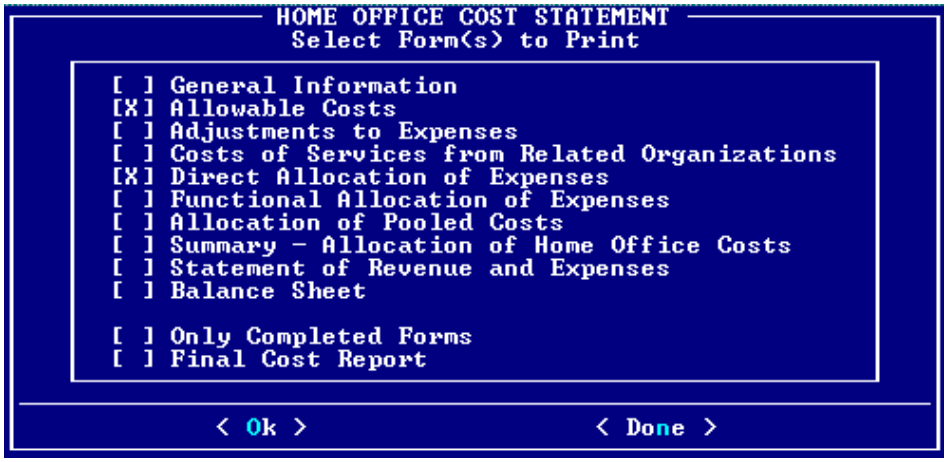


Figure 16 - Form Selection Screen for Printing or Viewing

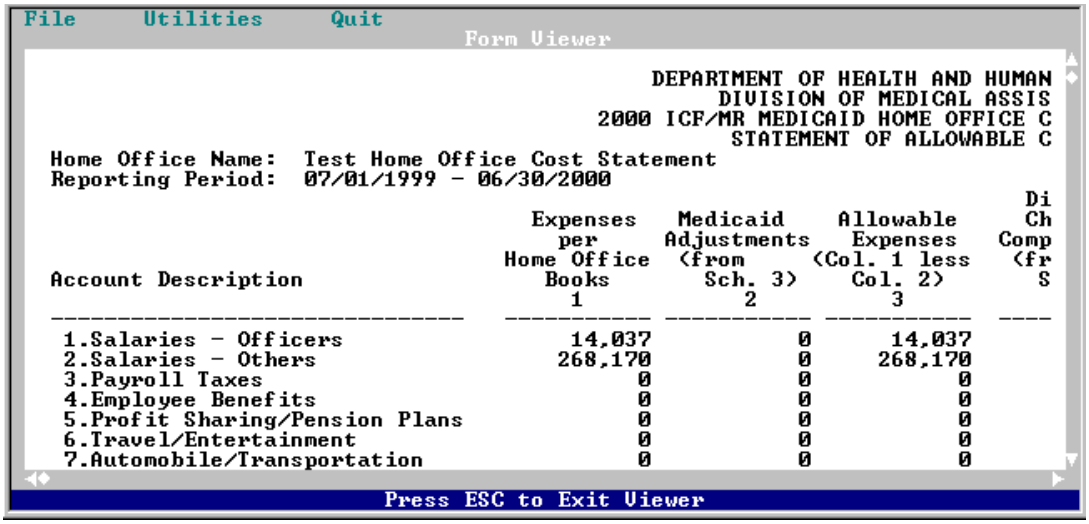


Figure 17 – Sample of Schedule 2 as Shown by the Print Viewer

Should the user need to make a correction to Schedules 1 - 8 after they have already been completed, the **Recalculate** option is available on the Print Options menu to ensure the entire cost statement has summed the data across all schedules; Figure 18.

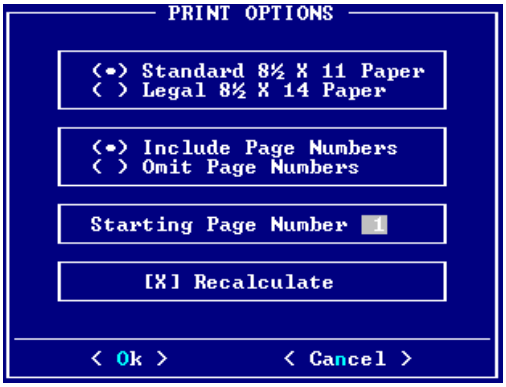


Figure 18 - Print Options Menu with Recalculate Selected

**Schedule 2, continued**

**column 2** As Schedule 3 is being completed, the Medicaid adjustments from that schedule will be automatically entered in Col. 2 of Schedule 2. When more than one adjustment pertains to the same expense, the adjustments will be summarized on Schedule 2.

The Grand Total of Sch-2, Col. 2 must agree with the total of Schedule 3, Col. 1.

**column 3** The system will automatically calculate the Allowable Expenses in column 3 by subtracting column 2 from column 1.

**column 4** After Schedule 5 has been completed, the direct allocations of expenses to each chain component will be summed and displayed in column 4 of Schedule 2.

**column 5** If the organization has regional or divisional offices, Schedule 5 may be used to enter direct allocations of expenses to these offices as appropriate. Expenses applicable to each regional office will be summed in column 5 of Schedule 2.

The Grand Total of Sch-2, Col. 5 must agree with Schedule 5, Regional Office Totals.

Direct allocations of expenses to regional offices will be allocated to the chain components as pooled costs. The totals generated by the regional office(s) will be allocated to each component using Schedule 7-3. (A separate Schedule 7-3 must be completed for each regional office.)

**column 6** Schedule 6 is provided to enter any functional allocations of expenses to the chain components. As you complete that schedule, the totals will be summed and transferred to Sch-2, Col. 6 for display.

Sch-2, Col. 6, Grand Totals must agree with Schedule 6, Totals for Health Care facilities and Other Components.

**column 7** Once the functional allocations of expenses for each regional office(s) has been entered in Schedule 6, those expenses will be summed in column 7 of Schedule 2.

Sch-2, Col. 7, Grand Totals must agree with Schedule 6, Totals for regional offices.

Functional allocations of expenses to regional offices will be allocated to the chain components as pooled costs. The totals generated by the regional office(s) will be allocated to each component using Schedule 7-3. (A separate Schedule 7-3 must be completed for each regional office.)

**column 8** The program will automatically calculate the pooled allocable costs by subtracting (net of) columns 4, 5, 6, 7 from column 3.

The Grand Total of Sch-2, col. 8, should be carried forward to Schedule 7-2 to be allocated to the chain components and or other components.

## Schedule 3 Medicaid Adjustments to Expenses

As Schedule 3 is being completed, the Medicaid adjustments from this schedule will be automatically entered on Schedule 2, Col. 2. When more than one adjustment pertains to the same expense, the adjustments will be summarized on Schedule 2.

The Grand Total of Sch-2, Col. 2 must agree with the total of Schedule 3, Col. 1.

**Basis of Adjustment** Enter the letter "A" or "B" in the column marked "Basis of Adjustment". Use the letter "A" if the basis is costs (non patient care related). Use the letter "B" if revenue received is used as a cost recovery of related expenses.

It is recommended that all adjustments be made on the basis of costs rather than revenue offset. If related costs are unknown or the amount immaterial, revenue offset may be used.

Refer to CMS Pub 15-1, Section 2150.2 and Chapter 10 for identification of adjustments that must be made.
A written statement supporting each adjustment may be attached to Schedule 3 to facilitate the auditors review of the cost statement.

**column 1** Enter the amount of each adjustment which is to be made to expenses reported on Schedule 2, column 1. Be aware, as the user completes Schedule 4 and enters adjustments pertaining to costs from related organizations on that schedule, the entries will be automatically posted to Schedule 3 and summed with those on Schedule 2.

Where an adjustment affects two or more expense accounts, a separate distribution must be indicated on a separate line of Schedule 3.

The Total of Sch-3, column 1, must agree with Schedule 2, column 2, Grand Total.

**column 2** Indicate the applicable line number of the expense account from Schedule 2 to which the adjustment amount is to be added or subtracted.

**column 3** The software will display the expense account title from Schedule 2 for the line number entered. Verify this is the correct account to which the adjustment amount is to be added or subtracted.

## Schedule 4 Statement of Costs of Services from Related Organizations

Schedule 4 is designed to collect required information regarding the existence of any Home Office costs which resulted from transactions with related organizations, as defined in the Code of Federal Regulations 42 CFR 413.17 (formerly 42 CFR 405.427).

**Part A** Check the applicable "yes" or "no" block to indicate whether transactions with related organizations resulted in Home Office costs to be allocated to the chain components.

If "no" is checked, no further screen entries are required. If "yes" is checked, the user must complete Parts B and C.

**Part B** This section identifies expenses resulting from a transaction with a related organization.

**column 1** Enter the applicable line number from Schedule 2 column 1 for the expenses to be explained in this section.

While the cursor is positioned in this field, a complete listing of all account numbers and descriptions including those added by the user may be viewed by pressing the Alt + L keys.

**column 2** The software will complete the expense account description that corresponds to the applicable line number entered in column 1.

**column 3** Enter the amount of expense resulting from transactions with the related organization(s).

**column 4** Enter the allowable portion of the listed expenses according to DMA Medicaid guidelines.

**column 5** The net adjustment amount representing the difference between columns 3 and 4 will be calculated for each type of expense and be transferred to Schedule 3, column 1, as well as Schedule 2, column 2.

**Part C** This section identifies the relationship of the chain Home Office to the related organization(s).

**column 1** Enter the name of the related organization.

**column 2** Briefly describe the business activities of the related organization that is transacted with the Home Office or the chain components.

**column 3** Indicate whether the relationship between the chain and the related organization is through ownership or control.

**column 4** Select one of the predefined relationship descriptions or choose item "G" and key your desired remarks. Explain in detail, the relationship such as

**Schedule 4, continued**

percentage of ownership, partnership arrangements, joint Board of directors, etc. Also note whether the exception to the related organization rule (CMS Pub 15-1, Section 1010) is applicable.

## Schedule 5 Direct Allocation of Expenses to Chain Components

The purpose of this schedule is to identify Home Office costs which are directly assignable to specific chain components and/or regional offices. Direct allocations to the chain components, when transferred to the provider cost report, will be included in the provider's trial balance.

**Expenses columns**

The software provides a listing of all the chain components to choose from. The user only has to choose the facility or regional office and a complete listing of all the accounts (including those added by the user) will appear and the user can choose the expense account to be directly allocated and enter the amount in the column provided. See Figure 19.

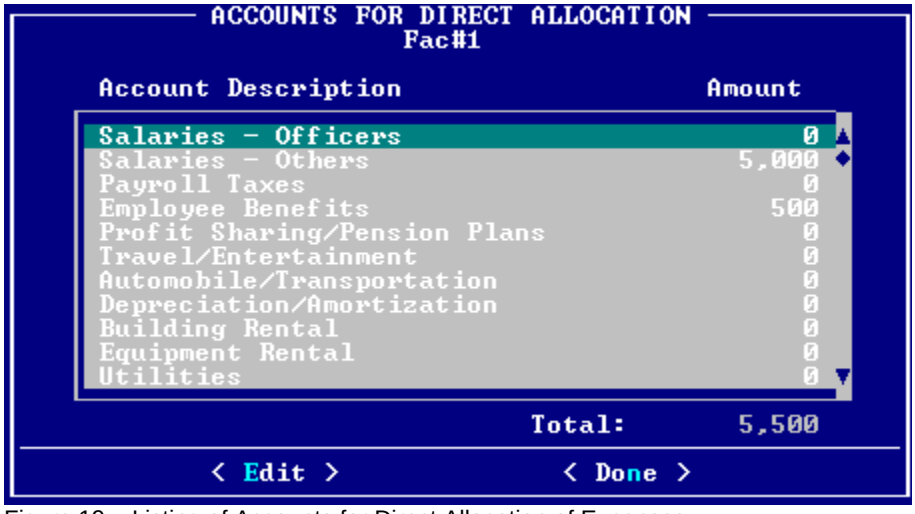


Figure 19 – Listing of Accounts for Direct Allocation of Expenses

Show the distribution of the amount of direct cost to each chain component and/or regional office. Where the accounting period of the component is not concurrent with accounting period of the Home Office, the direct allocations must be identified and grouped according to the reporting period of the component to which expense applies.

**Totals column**

The total of all account columns chosen will be calculated and the sum will appear in the Total column. The respective totals for each account will appear on Schedule 2 in column 4 and/or 5.

Sch-5, the Totals of Health Care Facilities and Other Components must agree with Sch-2, col. 4, Grand Total.
Sch-5, the Total of Regional Offices must agree with Sch-2, col. 5, Grand Total.
Sch-5 Grand Total must agree with Sch-2, sum of columns 4 and 5, Grand Totals.

## Schedule 5, continued

The totals by chain component will be carried forward to Schedule 8, by the program. In case of non-concurrent year-ends, ensure the direct allocations are identified in the proper reporting period.

## Schedule 6 Functional Allocation of Expenses to Chain Component

The purpose of this schedule is to identify Home Office costs which may be allocated to the chain components and/or regional offices by function. The allocation of cost is made using one option and the statistics are accumulated by another. See Figure 20.

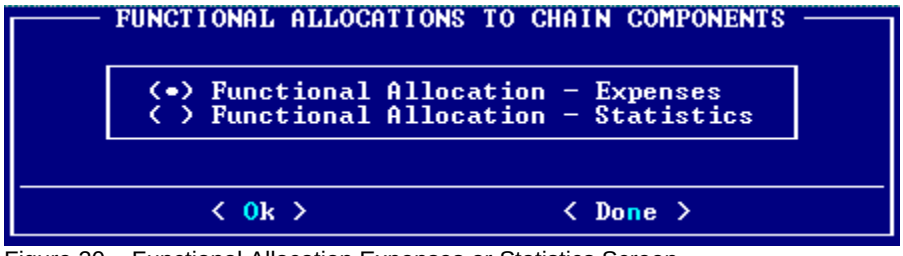


Figure 20 – Functional Allocation Expenses or Statistics Screen

Functional allocations to the chain components, when transferred to the provider cost report, will be included in the Administrative and General cost center.

**Statistics columns**

The software will provide a listing of all the chain components to choose from. The user only has to choose the facility or regional office and a complete listing of all the accounts (including those added by the user) will appear and the user can choose the expense account to be functionally allocated and enter the statistics applicable to the component and/or regional office in the column provided. Sub-totals will be calculated and forwarded to appropriate schedules.

The user must ensure the total functional expense to be allocated agrees with Schedule 2, columns 6 and 7, Grand Totals.
The program will compute the Unit Cost Multiplier by dividing the cost to be allocated by the total statistics.

**Expenses columns**

The software will provide a listing of all the chain components to choose from. The user only has to choose the facility or regional office and a complete listing of all the accounts (including those added by the user) will appear and the user can choose the expense account to be functionally allocated and enter the expense amount applicable to the component and/or regional office in the column provided. Sub-totals will be calculated and forwarded to appropriate schedules.

The software will apply the Unit Cost Multiplier to the statistics accumulated and the resulting allocation of cost will be entered in the applicable columns of Sch-6.

**Schedule 6, continued**

**Totals column** The total of all account columns chosen will be calculated and the sum will appear in the Total column. The respective totals for each account will appear on Schedule 2 in column 4 and/or 5.

Sch-6, the Totals of Health Care Facilities and Other Components must agree with Sch-2, col. 6, Grand Total.
Sch-6, the Total of Regional Offices must agree with Sch-2, col. 7, Grand Total.
Sch-6 Grand Total must agree with Sch-2, sum of columns 6 and 7, Grand Totals.
The totals by chain component will be carried forward to Schedule 8, by the program.
In case of non-concurrent year-ends, ensure the functional allocations are identified in the proper reporting period.

**Schedule 7-2, 7-3 Allocation of Pooled Costs to Chain Components**

Pooled costs represent expenses that cannot be directly or functionally allocated to the chain components. Schedule 5 and 6 must be completed, where appropriate, prior to completion of Schedule 7-2 and/or Schedule 7-3.

Pooled costs also include costs which were directly or functionally allocated to the chain regional offices. A separate Sch7-3 must be completed for each regional office.

Pooled costs are allocated to the chain components on a reasonable allocation basis:

**(1)** For Home Office reporting periods beginning on or after November 1, 1976, the pooled costs are allocated in the following manner:

**(a)** Where the chain consists solely of health care facilities, the pooled costs must be allocated on the basis of impatient days or total costs. (See CMS Pub 15-1, Section 2150.3D for instructions.) The statistics must be gathered from the component for the period concurrent with that of the Home Office and separately identified throughout Schedule 7-2.

**(b)** Where the chain consists of both health care facilities and other business organizations, the pooled costs must be first allocated among these two groups on an appropriate basis, depending on the organization of the chain. After this initial allocation, the pooled costs allocated to the health care facilities as a group are again allocated to the individual components as set forth in (a) above.

Chains may also file a step-down method of allocation.

For clarity, Schedules 7-2, and 7-3 have been split into two sections, one for the double allocation method and one for the single allocation method. Where the double allocation method must be used, both Parts I and II of Schedules 7-1, 7-2, and 7-3 as appropriate must be completed. For the single allocation method, only Part II must be completed for each schedule.

## Schedule 7-2 and 7-3, continued

## Part I The Double Allocation Method

**Sch 7-2 and 7-3** The software presents a Confirmation screen for the user to choose the single or double allocation method desired. The system is defaulted for the single allocation method. See Figures 21 and 22 below.

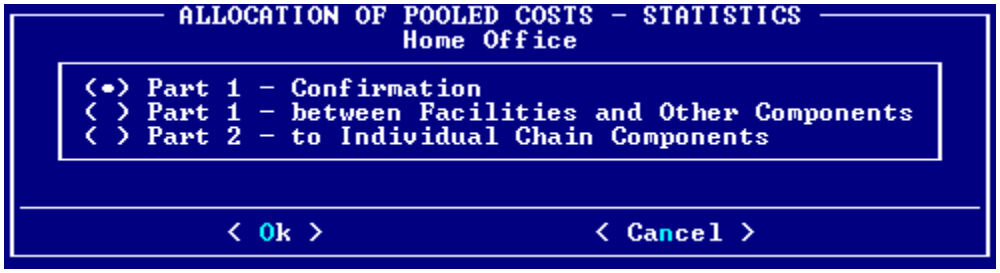


Figure 21 - Home Office Pooled Allocation Initial Screen

Choosing the Confirmation option brings up the actual screen where the method is selected; Figure 22.

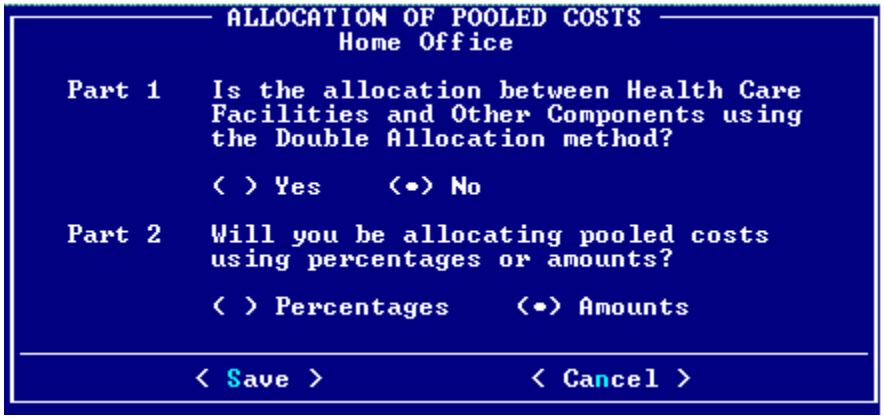


Figure 22 - Confirmation Screen for Choosing Single or Double Allocation Method

The user also has the option of choosing to use percentages or fixed amounts such as days or dollars for the statistics.

**column 1** The allocation base was chosen at the time the amounts were input to Schedule 2, col. 1 but may be changed by accessing that schedule. The screens shown in Figures 21, 22 and 23 are used to input the allocation statistics to be used by the system to calculate the amount of pooled expenses for each specific component. Input a statistic common to both the Healthcare Facilities and the Other Non-Healthcare Components such as total cost or some suitable numbers that will allow the system to calculate the percentage ratio to use of the total available amount. For example, if the healthcare facilities represented 60% of all expenses for the chain and the non-healthcare components represented 40% of all expenses, the user could enter the number 60 in the Amount column on line 1 and 40 on line 2. The software will then add the two numbers together and calculate the percentage each is to the total sum. These percentages will then act on the total maximum allowed pooled costs which is $295,365 for the example shown in Figure 23.

## Schedule 7-2 and 7-3, Part I, continued

However, the user is required to enter the desired total amount for the system to use. If the user chooses the single allocation method, only column 3 (Allocated) will be open and the user may manually enter each desired amount on line 1 or 2.

```
ALLOCATION OF POOLED COSTS - STATISTICS
Home Office

Part 1. Allocation between Health Care Facilities
        and Other Components

                                    Amount      %      Allocated
1. Health Care Facilities........:     0                   0
2. Other Components..............:     0                   0

Maximum amount allowed (total of Sch. 2 Col. 8) :       295365

< Save >          < Page 2 >          < Cancel >
```

Figure 23 - Double Allocation Method Part 1 Input Screen

**column 2** The program will compute the percentages of allocation based on the statistic amounts entered in column 1 of Figure 23.

**column 3** Enter the pooled expenses to be allocated on line 3. On Sch 7-2, this figure must agree with Schedule 2, column 8, Grand Total. On Sch 7-3, this figure must agree with Schedule 2, sum of columns 5 and 7, Grand Totals, for the respective regional office.

The system will multiply the total pooled costs (line 3, column 3) by the percentages computed in column 2 and display the respective totals on lines 1 and 2 of column 3. These amounts will also be transferred to Sch 7-1, Part I, columns 1 and 2, lines 1 through 3.

```
ALLOCATION OF POOLED COSTS - STATISTICS
Home Office

Part 1. Allocation between Health Care Facilities
        and Other Components

        Allocation Statistics      ( ) Total Inpatient Days
        Base...................:   ( ) Total Cost
                                   ( ) Other Approved Method

Part 2. Allocation to Individual Chain Components

        Health Care Facilities     ( ) Total Inpatient Days
        Allocation Base.......:    ( ) Total Cost
                                   ( ) Other Approved Method

        Other Components
        Allocation Base.......:    ( ) Total Inpatient Days
                                   ( ) Total Cost
                                   ( ) Other Approved Method

< Save >          < Page 1 >          < Cancel >
```

Figure 24 - Allocation Basis Declaration Screen for Part 1 and Part 2

Figure 24 shows the Part 1, Page 2, entry screen where the user must declare the allocation basis that was used in determining the statistics.

## Schedule 7-2 and 7-3, continued

## Part II Allocation to Individual Chain Components

**Sch 7-2 and 7-3**

The software presents a series of screens after choosing the Part 2 option from the Allocation screen as shown in Figure 25. You will be given a choice to enter the names of all Health Care Facilities or Other components on the next screen. After choosing which type of components to be added, the next screen (Figure 27) will appear and you must choose the **< Add >** option to get to a selection listing of all the components by each type. Ensure that the components are matched properly to the responsible regional office on Sch 7-3 and that all the components are assigned under the Home Office correctly.

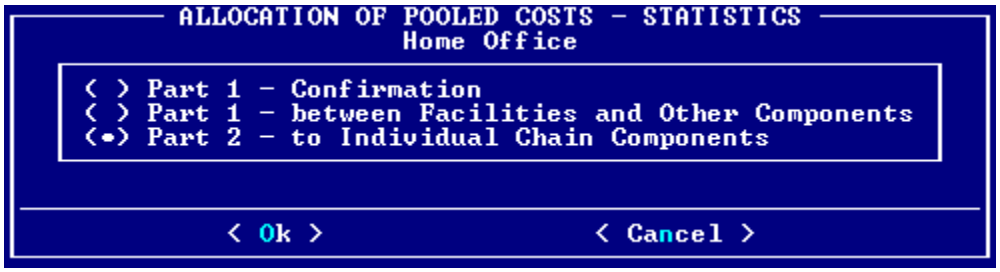


Figure 25 - Allocating Pooled Costs to individual Chain Components

Figure 26 - Assigning Health Care Facilities and Other Components to the Home Office

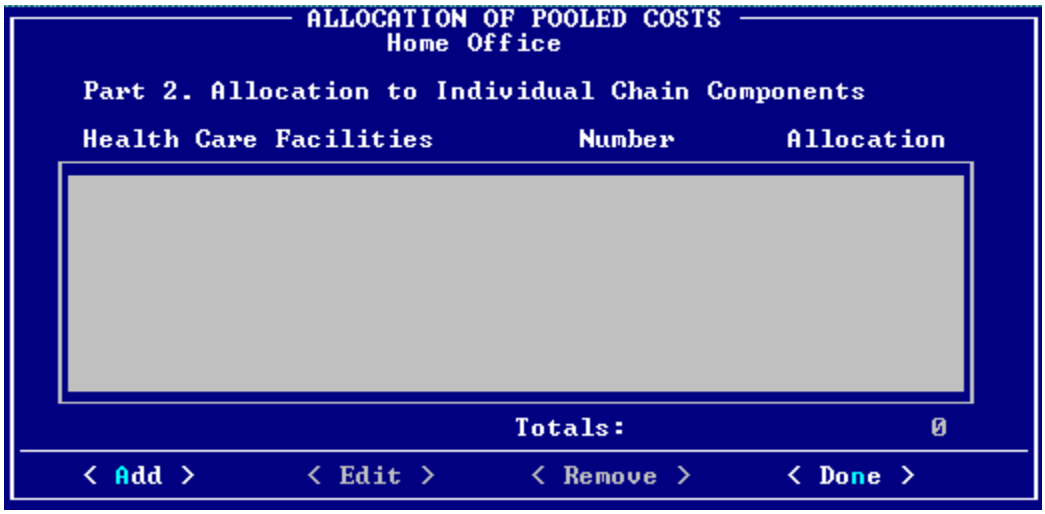


Figure 27 - Add Health Care Facilities to the Home Office or a Regional Office

## Schedule 7-2 and 7-3, Part II, continued

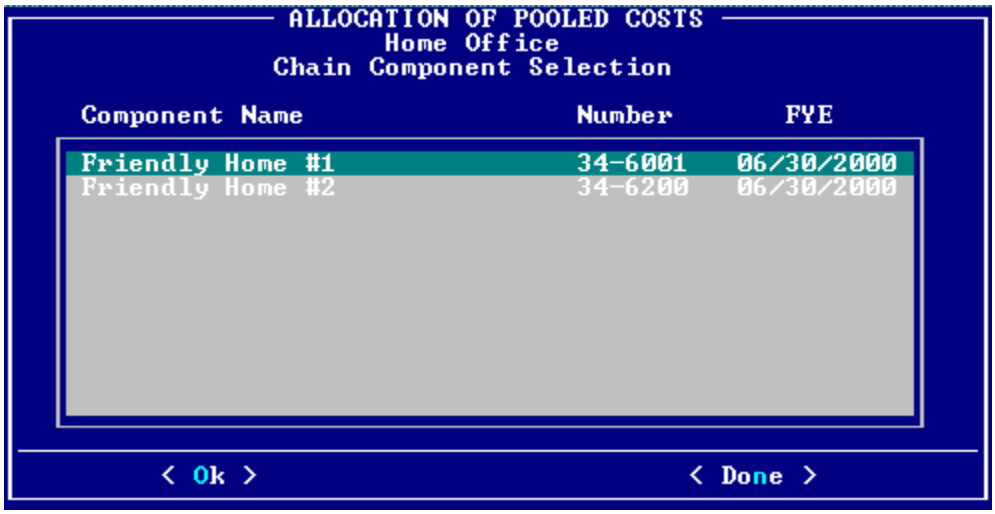


Figure 28 - Selecting Healthcare Facility Components to be Added

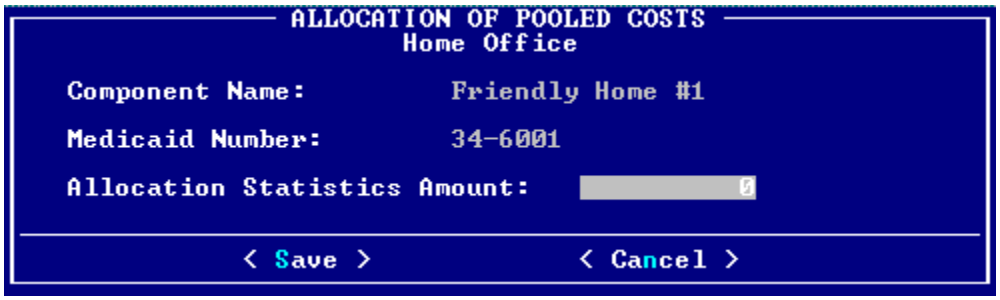


Figure 29 - Entering Statistic Amount to the Selected Chain Component

As each facility is selected, the system will present an input screen to enter the statistics amount to be used for that component as shown in Figure 29. After this is done, the system will return to the Allocation of Pooled Costs Part 2 screen where the user can see all the components with their respective statistics as well as the total statistics accumulated for all the components; Figure 30.

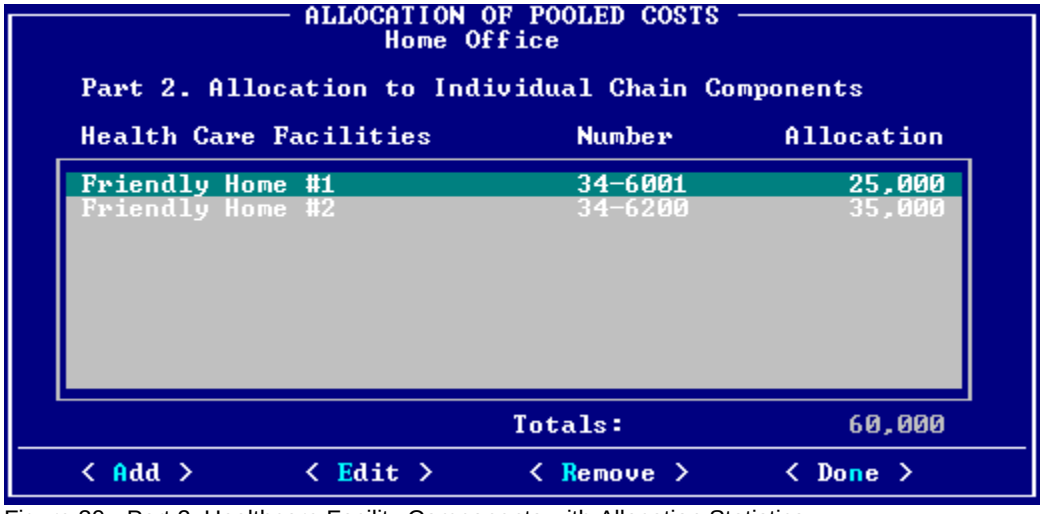


Figure 30 - Part 2, Healthcare Facility Components with Allocation Statistics

**Schedule 7-2 and 7-3, Part II, continued**

**column 1** Enter the allocation statistics used in computing the pooled expenses as shown in Figure 25 through Figure 29. The sub-totals will be calculated and posted on the appropriate lines of Schedule 7-2, part 2 for the Home Office and on Schedule 7-3, part 2 if entering data for a regional office.

**column 2** The software will enter the pooled expenses to be allocated for Part II from the value calculated in Part I, Figure 23. As each component is chosen and the statistics amount entered (Figure 28 & 29) the software will calculate an amount for column 3 and sum the Sub-Total and Grand Total lines on Sch 7-2. These totals must agree with Schedule 2, column 8, Grand Total (and where the double allocation method was used, with Sch 7-2, Part I, column 3, line 3). Also, for the regional office form Sch 7-3, the respective totals must agree with Schedule 2, columns 5 and 7, Grand Totals (and where the double allocation method was used, with Sch 7-3, Part I, column 3, line 3).

The program will compute the Unit Cost Multiplier used by the Part II, Health Care Facilities section of each schedule by dividing the allocated pooled costs by the total statistics (column 2, item "**A**" divided by column 1, item "**D**" ). In addition, it will compute the Unit Cost Multiplier used by the Part II, Other Components section of each schedule by dividing the allocated pooled costs by the total statistics (column 2, item "**B**" divided by column 1, item "E" ).

After the above routines have been computed, the program will apply the Unit Cost Multipliers to the statistics accumulated, entering the resulting allocations of cost in the appropriate lines in column 2.

These amounts will be transferred by the program to Schedule 7-1, Part II, columns 1& 2.

**Schedule 7-1 Allocation of Pooled Cost to Chain Components**

**Sch 7-1** **columns 1 and 2** The software will enter the allocated pooled cost by chain component as determined from Sch 7-2 and 7-3.

The Sub-Total and Grand Totals for Sch 7-1, column 1 must agree with Schedule 2, column 8, Grand Total. Sch 7-1, column 2, Totals must agree with the sum of Schedule 2, columns 5 and 7, Grand Totals.

**column 3** The program will calculate the totals of pooled cost by adding columns 1 and 2 and will transfer these amounts to Schedule 8. The user must ensure that in cases of non-concurrent year ends the pooled cost allocations are identified in the proper reporting period.

## Schedule 8 Summary - Allocation of Home Office Cost

The purpose of this schedule is to summarize the allocations of Home Office cost determined on Schedules 5, 6, and 7.

For chains with concurrent year ends for all components and the Home Office, only Part I must be completed. For chains with non-concurrent year ends, only Part II must be completed to show the inter-period allocations of cost. The user will only have access to Schedule 8 if there are components having non-concurrent year ends.

**part I**

**column 1** The fiscal year end for each chain component was entered at the time the component was added on the General Information Schedule 1. Use that screen to make any corrections.

**column 2** The direct allocations of cost will be taken from Schedule 5 for each chain component as it was entered on that form.

**column 3** The functional allocations of cost will be taken from Schedule 6 for each chain component as it was entered on that form.

**column 4** The period allocations of cost from Schedule 7-1 will be shown on the print viewer for all chain components having a concurrent FYE with the Home Office.

**column 5** The total of the allowance cost by chain component will; be calculated by the program by adding the amounts in columns 2, 3, and 4.

Sch 8, column 5, Total must agree with Schedule 2, column 3, Grand Total.

**part II**

**column 1** The fiscal year end for each chain component was entered at the time the component was added on the General Information Schedule 1. Use that screen to make any corrections.

**column 2 and 7** The program will enter the direct allocations of cost from Schedule 5 for each chain component. Ensure that the amounts have been properly recorded based on concurrent and non-concurrent periods.

**column 3 and 8** Enter the total functional allocation of cost from Schedule 6 for each chain component. The amount entered in both columns should be the same.

**column 4 and 9** Enter the percentage representing the number of months of the component's reporting period which is covered (column 4) and not covered (column 9) by the Home Office reporting period. **continued →**

**Schedule 8, continued**

| | | |
|---|---|---|
| **part II** | **column 4 and 9 cont.** | For example, if the Home Office has a FYE of 12/31 and the provider had a FYE of 7/31, the percentage in column 4 would represent 7/12ths and the percentage in column 9 would represent 5/12ths. |
| | **column 5 and 10** | The software will multiply column 3 by column 4 and enter the product in column 5. It will also multiply column 8 by column 9 and enter the product in column 10. These amounts represent the functional allocation to be included in the concurrent and non-concurrent periods of the component's reporting year. |
| | **column 6 and 11** | The program will enter the pooled allocations of cost from Schedule 7-1 for each chain component. Ensure that the amounts have been properly recorded by period. |
| | **column 12** | The total of the allocated cost by chain component will be calculated by adding the amounts in columns 2, 5, 6, 7, 10, and 11.<br><br>The Total of column 12 must agree with Schedule 2, column 3, Grand Total. |

**Schedule 9 Statement of Revenue and Expenses**

Schedule 9 must be completed in its entirety or a substitute revenue and expense statement for the Home Office must be submitted as part of Home Office cost statement.

**Schedule 10 Balance Sheet for Computation of Home Office Equity Capital**

| | | |
|---|---|---|
| **column 1 and 2** | **line 1 thru 57** | Enter the year end balances for assets, liabilities, and capital of the chain Home Office. Also, enter any adjustments to these accounts where necessary. Where the account descriptions do not conform to the accounts used by the Home Office, other accounts may be entered.<br><br>The program will calculate the results for Column 3.<br><br>Line 55 must agree with line 31. |

**Creating the Certification Form**

The user will find an option **Print Certification Form** on the **File** drop down menu. This form must be printed before the program will allow the mail-in diskette to be completed. The user must complete Part A and date and sign the form to send to DMA or the Home Office Cost Statement will be deemed unacceptable.

## Printing Final Cost Statement

After all entries have been completed on the cost statement, the print option **Final Cost Report** is available to make a hard copy for final verification. It is strongly recommended that every user print a hardcopy of the entire cost statement and verify the accuracy of every schedule.

See Figure 31 for the print Final Cost Report selection screen.

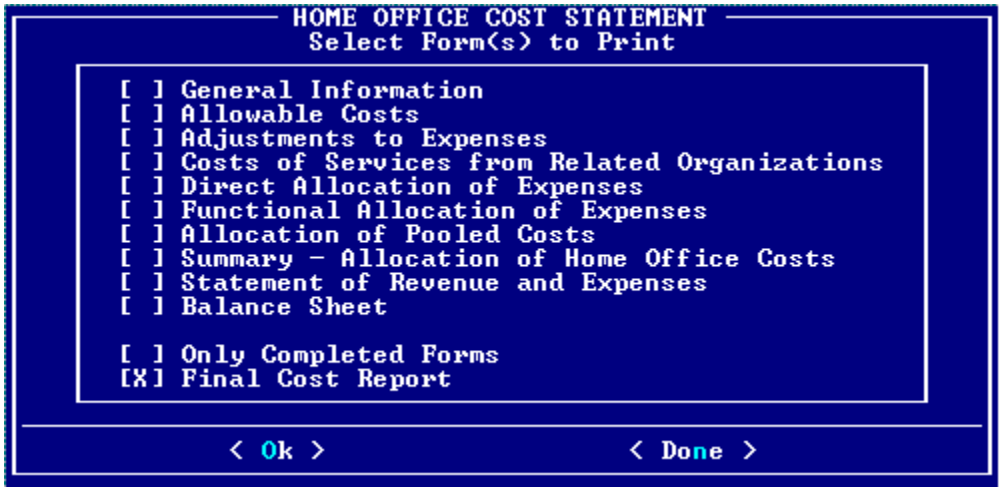

Figure 31 - Form Selection Screen for Printing Final Cost Report

## Creating the Mail-In Diskette for DMA

The final step in preparing the Home Office Cost Statement is creating the mail-in diskette to send to DMA. The option - **Send Cost Statement to DMA** is located on the **File** drop down menu as shown in Figure 32. Insert an empty clean formatted diskette into drive **A** or **B** as appropriate for your PC. Then select the option to create the diskette. Note: The diskette will <u>not</u> be created if you have not printed out the Certification Form.

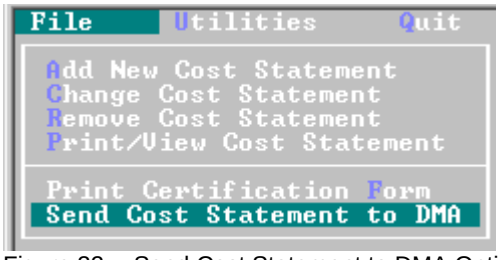

Figure 32 -- Send Cost Statement to DMA Option

After choosing the "**Send Cost Statement to DMA**" option, the program will display a list of cost statements currently on file and let you select the reports to be included. To make your selection(s), press the **Up** and **Down** arrow keys to move the highlight to the desired cost report and press the **Space Bar**. This will place a check mark (√) to the left of the provider number. Repeat this process to include more than one cost report on the diskette. When all cost reports have been checked, choose the < **O**k > push-button.

***Warning*:** If the **Certification Form** has not been printed, the program will not let you create the mail-in diskette for the Audit Section. You must print a hard copy first.

***Warning*:** Do not use the **Copy Cost Reports to Diskette** option as it is **NOT** acceptable and can not be uploaded properly by the Audit Section.

The program will then guide you through the steps required to copy the cost report information to a diskette file. First, it will ask you to insert the diskette into your floppy drive or choose the "Default Directory" folder as shown in Figure 33 below. This gives the user the capability to create a file on a computer with or without a floppy drive. Follow instructions given on the screen. Pay careful attention to the sub-folder name shown on the screen so you can quickly locate the file and copy or move it to another location or e-mail it if necessary.

Figure 33. Insert Diskette and Select Drive

If the program detects that the **Certification Form** has not been printed it will present a screen warning you of this requirement. See Figure 34 for example of the screen message. Again, you **must** print and sign this form or DMA will not accept the cost statement.

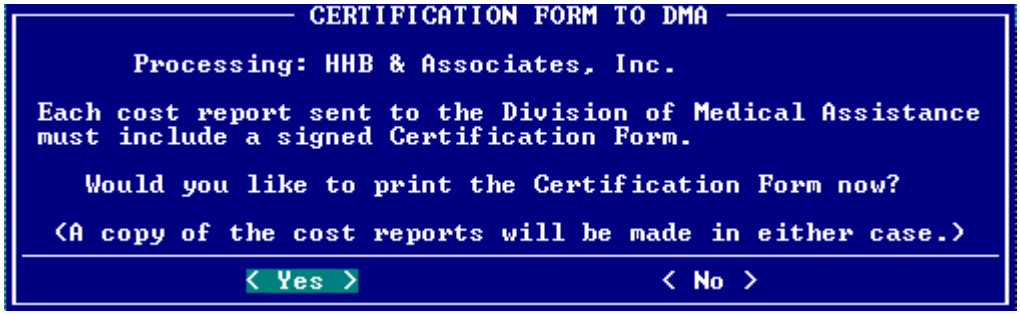


Figure 34. Incomplete Certification Form Message

After encountering the printing message above, select <**Yes**> to clear the message and the program will progress to create the file after the printing is complete.

If all forms have been completed correctly and no error was detected, the program will begin copying the cost statement information to the diskette or file. As it does, a message will be displayed telling you the information is being copied. When completed, the program will display a message requesting you remove the diskette and send it to the Division of Medical Assistance.
Remove the diskette and mail it according to the instructions in the paragraph **Filing the Cost Report** found on page 2 of this document.

For technical questions relating to specific entries on the Home Office Cost Statement or assistance with using the software, contact the Audit Section at telephone (919) 814-0030.