

**Instructions for Completing the Cost Report Form
and the Supporting Financial Documentation Form**

The *Instructions* prescribed by this Practice and Procedure Issuance **must** be used for completing the following forms:

Cost Report for Nursing Facilities Practice and Procedure Issuance No. 92-13

Supporting Financial Documentation for Nursing Facilities Practice and Procedure
Issuance No. 92-14

Effective: November 17, 1992

s/Ruth Rivers
Ruth Rivers
Interim Director

STATE OF VERMONT

AGENCY OF HUMAN SERVICES


DIVISION OF RATE SETTING

INSTRUCTIONS FOR COMPLETING

THE COST REPORT

FOR NURSING FACILITIES

AND

THE SUPPORTING FINANCIAL DOCUMENTATION 

The Cost Report for Nursing Facilities and the Supporting Financial Documentation are the forms prescribed by the Division in accordance with V.D.R.S.R. 3.2, Uniform Cost Reports. These are the instructions for completing the Cost Report and the Supporting Financial Documentation.

We appreciate your continued cooperation in providing information that will provide an accurate picture of the financial situation of Vermont's Nursing Facilities, and at the same time, help maintain a fair and equitable payment system.

The Division of Rate Setting is an equal opportunity division and offers to all persons the benefit of participation in each of its services and activities, as well as the opportunity to compete in all areas of employment, regardless of race, color, religion, sex, national origin, age, disability, sexual preference or other non-merit factors.

The cost report, supporting financial documentation and instructions are available in large print or on disk.

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COST REPORT and SUPPORTING FINANCIAL DOCUMENTATION

The schedules in these reports provide a mechanism for translating your general ledger into information that can be compared with other nursing facilities in the state. Your general ledger expense account balances are entered in the Cost Report, Schedule A, Column 3, Pages CR3 through CR15. This information is then reclassified and adjusted using the detailed information on other schedules. The Cost Report and the Supporting Financial Documentation are not required to be typed but they must be legible.

All applicable schedules must be completed as requested. It is important that the schedules be completed accurately (in Vermont's case-mix system, the costs you report will affect both your rate and the rate for other providers.)

Determination of Allowable Costs

As you prepare this report, refer to the latest rules and regulations of the Vermont Division of Rate Setting (V.D.R.S.R.) and relevant Federal regulations and HCFA 15 for policies, procedures and allowable cost definitions.

The content of these instructions does not constitute a rule. In certain sections a rule may have been summarized to clarify the instructions for completion of a particular schedule.

Any questions concerning the required information or appropriate entry of information should be addressed to:

Division of Rate Setting
103 South Main Street
Waterbury, Vermont 05671-2201
Telephone (802) 241-3530; FAX (802) 244-1206

Where and When Must You File?

The annual Cost Report and the Supporting Financial Documentation are due at the Division of Rate Setting within 90 days after the close of the provider's fiscal year. An extension of the filing deadline for good cause may be applied for in accordance with V.D.R.S.R. §3.3. For special cost reports required by the Director, see V.D.R.S.R. 5.6(c).

What must be filed?

- (1) Two copies of the Cost Report.
- (2) Two copies of the Supporting Financial Documentation.
- (3) The trial balance used to complete the Cost Report and the Supporting Financial Documentation.
- (4) The audited financial statements.
- (5) Reconciliation of the audited financial statements to the cost report.

And for providers who participate in the Medicare program,

- (6) The Medicare Cost Report.

If either the Cost Report or the Supporting Financial Documentation is incomplete when filed, both will be returned to the provider and will be considered "not filed", until refiled and in compliance.

COST REPORT INSTRUCTIONS

CR1: CERTIFICATION

Section A. Facility Identification.

Complete all requested information, including the correct Medicaid Provider Number, type of ownership and person to contact if there are further questions.

Type of Ownership:

A "Charitable Corporation" designates a corporation - the donations to which are tax deductible.

A "Sub-S" Corporation designates a small business corporation as defined under Sub-Chapter S of the Internal Revenue Code.

Section B. Certification by owner or representative.

The beginning and ending dates of the report that you

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enter here must be the dates entered at the top of pages CR2 through CR21. The Cost Report Year End must be consistent with the previous year (unless prior approval for a different year end has been granted).

The owner or the representative of the provider must sign the certification. Both copies of the report submitted to the Division must bear **original signatures**. Facsimile signatures or photocopies of signatures are not acceptable.

Any Cost Report that does not bear the owner's or the provider's representative's **original** signature will be considered incomplete and will be returned to the provider for proper signatures.

CR2: LICENSING / CENSUS

Section A. Licensure/Certification

Enter the number of licensed beds by level of care, the total number of beds licensed, and the total licensed bed days available during the reporting period.

For example: Assume a facility with a 6/30 year end had a license for 100 nursing beds for eleven (11) months (335 days) and a license for 50 Level III beds for twelve (12) months (365 days) and an additional 100 nursing beds became operational and were licensed during the twelfth (12th) month (30 days).

The total bed days available would be calculated:

Nursing Bed Days:

Months 1-11: 100 beds times 335 days = 33,500

Month 12: 200 beds times 30 days = 6,000

Total nursing bed days = 39,500

Level III Bed Days:

Months 1-12: 50 beds times 365 days = 18,250

Total bed days licensed and available throughout the 12 month period: 57,750

Section B. Census

All applicable lines of this schedule must be completed.

Enter the total number of resident days by level of care during the reporting period. A resident day is defined as a twenty four (24) hour period during which

the bed is occupied or paid for. The day of admission may be counted as a resident day; the day of discharge or death may not be counted as a resident day unless both admission and discharge occur on the same day.

Revenue generating "hold bed" days must be entered in the appropriate columns and included in the total census reported in column 6.

It is important that the census be correct with regard to level of care. A report that does not provide a breakdown by level of care will not be accepted.

CR3 - CR15: SCHEDULE A: EXPENSES

In this schedule report, in detail, both the expenses allowable under the State of Vermont's Medicaid Program and other non-allowable expenses.

Schedule A has 10 columns and 216 lines.

Column 1: The expense accounts and cost centers are listed by name or title and separated into employee benefits, the cost categories, continuing adjustments and non-allowable expenses. Blank lines are provided for any expenses not listed.

Column 2: Enter the provider's general ledger account number(s) for each expense category.

Column 3: Enter the expenses for the reporting period as they are recorded in the provider's general ledger accounts. The total expenses reported on line 216 must agree with the provider's total expenses in the general ledger trial balance and with CR19, Schedule D, line 11, "Statement of Expense and Profit/Loss".

Column 4: Enter the reclassifications from SFD 1, page 1 (see instructions, page 16).

The total of the reclassification entries in Column 4 must total "zero" on line 216.

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Column 5: Enter the adjustments from SFD 2, pages 2 and 3, except for adjustments for overhead related to non-allowable cost centers which are entered in Column 9 (see instructions on pages 16 and 17).

Column 6: Enter the total of Columns 3 through 5.

Column 7: Reclassify the overhead costs related to ancillary services as determined in the stepdown allocation of costs, SFD 3, page 4 (see instructions, pages 17 - 20).

The total of the positive and negative entries in Column 7 must total "zero" on line 216.

Column 8: Subtotal: sum of Columns 6 and 7.

Column 9: Enter adjustments for overhead related to non-allowable expenses as determined in the stepdown allocation of costs, SFD 3, page 4 (see instructions, pages 17-20). These adjustments must also be included on SFD 1, Reclassifications.

The total of the positive and negative entries in Column 9 must total "zero" on line 216.

Column 10: Enter the Medicaid allowable costs for the nursing facility: Column 10 equals Column 8 net of the expenses listed in Column 9.

LINES 1 - 216

The following descriptions of the line items in Schedule A are to ensure that all providers are reporting and classifying the same types of expenses in the same accounts. Some account titles are self-explanatory and need no definition.

CR3: EMPLOYEE FRINGE BENEFITS: Lines 1 through 18

These lines identify the employee benefits and payroll taxes that are **not** directly assigned to cost centers in the general ledger and that are reclassified to the cost

categories in Column 4 and/or adjusted in Column 5.

Include all salary/wage driven taxes (Social Security, Federal and State Unemployment, etc.) paid by the provider on behalf of her/his employees, costs for Workers' Compensation, group health and dental insurance, profit sharing and pension plans, the accrued value of unused "paid days off" and other benefits you identify and record in the blank lines provided.

Do not include payroll taxes and/or benefits that are directly assigned to cost centers in the general ledger. Enter these amounts in Column 3 on the lines identified for fringe benefits in each cost category.

Employee fringe benefits do not include employee physicals or employee education and tuition reimbursement. Where a provider reports these costs in Column 3, they must be reclassified to CR7, line 78, and CR 9, line 114, respectively.

THE COST CATEGORIES: Lines 15 - 194

NURSING CARE
DIRECTOR OF NURSING
RESIDENT CARE
INDIRECT
PROPERTY AND RELATED
ANCILLARIES

Each category contains one or more cost centers (e.g., Plant, Housekeeping, Laundry, etc., are in the Indirect category). Each cost category includes accounts commonly found in the Chart of Accounts of a nursing facility and blank lines for other accounts.

Salaries (All lines as indicated)

Salaries include all salaries, hourly wages, and bonuses paid to the provider's employees where the provider is responsible for the withholding of and accounting for the earnings and related federal, state and local income taxes.

Do not include the value of services provided by non-paid workers unless all of the conditions of the Medicare Reimbursement Manual (HCFA-15), Chapter 7 are met.

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Contracted Personal Services

(All lines as indicated)

Contracted personal services include costs of hiring persons (other than the provider's employees) or business entities on a contract or "fee for service" basis.

Examples include nursing services purchased through a professional nursing pool, medical director fees, social service consultant and therapy services.

CR4: NURSING CARE: Lines 19 - 35

Only costs for nurse aides in training and direct nursing care, including nursing salaries, contracted nursing services and the fringe related to salaries, are included in the nursing category.

Include costs for **floor nurses**, nurse aides in training, assistant director of nursing and shift supervisors. Do not include salaries for ward clerks, nursing secretarial positions, nurse aide trainers or in-service coordinators; these are included in Indirect costs, CR8, lines 90-93.

CR5: DON: Lines 36 - 40

Line 36: Director of Nursing - Salaries

Include only the salary of the Director of Nursing. This is for **one position** only. The salary for an Assistant Director of Nursing may be included here only if the facility does not have a Director of Nursing.

CR5 -CR7: RESIDENT CARE: Lines 41 - 84

Lines 50 and 51: Contractual Medical Director or Pharmacist

Include amounts paid to a medical director and pharmacist for services performed under a contract or on a "fee for service" basis.

Lines 59 - 63: Food

Include costs for edible and potable products served to residents or used in the preparation of meals and for bulk purchased food supplements for special diets.

Line 68: Propane Gas

Include all costs for propane gas used for heating, cooking and drying laundry.

Line 75: Medical Supplies Non-chargeable

Include the cost of all medical nursing supplies that would normally be stocked at or near a nursing station (adhesives, rubber tubing, etc.). See V.D.R.S.R. §6.3(i).

Do not include the cost of any item that is ordered by a physician for a specific resident and for which a separate charge is made (include on CR13, line 172). Do not include clerical supplies used by the nursing staff (include in indirect costs, CR9, line 108).

Do not include costs of personal care items such as shampoo, combs, tooth brushes, tooth paste, deodorants, powder, etc., (include costs for these items in indirect costs; see page 8 of the instructions).

Line 77: Non-legend Drugs

Include costs for non-legend drugs that are not separately charged to residents. Non-legend drugs are drugs that are not reimbursable under Social Welfare Regulation M800-M889, i.e., they cannot be direct billed to Medicaid.

CR8 - CR10: INDIRECT: Lines 85 - 135

Line 85: Administrative Salaries

Include salaries, wages and bonuses paid to the administrator, assistant administrator, receptionists, secretaries, clerks, staff accountants, purchasing and personnel staff, computer operators, etc.

Lines 94-97: Blank Lines

Include any salaries that do not meet the definitions for any other cost categories. For example: Central Supply Clerks Salaries/Wages.

Line 101: Administration & General Non-salary

This line item includes costs for office supplies, postage, travel, motor vehicles (excluding interest and depreciation), employee mileage reimbursements,

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accounting and legal services, advertising, liability insurance, license fees, dues, subscriptions, management and home office fees, interest on working capital borrowing.

In column 3, enter the amount from your general ledger accounts. Reclassify and adjust this amount in Columns 4 and 5. Some of the administrative costs are discussed below.

Management Fees:

Include the actual fees paid to a supplying organization for management services rendered to the provider regardless of whether they were paid to a related party or to an independent contractor not related to the provider through control or common ownership.

- (A) Independent contractor (Unrelated Party). Management and administrative service fees are allowable when paid to an unrelated party so long as the services rendered and the basis for fees charged are supported by a written contract and all conditions for allowable costs identified in V.D.R.S.R. §4.24 and the Medicare Principles of Reimbursement, HCFA 15, §2135, are met.
- (B) Related Party Supplier - Non-Chain Organization - Management Fee expense is allowable but is limited to the actual cost to the related party supplier in accordance with V.D.R.S.R. §4.24 and HCFA 15, §1000. Where the provider's management fee expense, as reported in column 3, does not reflect the actual Medicaid allowable cost incurred by the related party supplier, an appropriate adjustment must be made on SFD 2.
- (C) Related Party Supplier - Chain Organization. Where the provider is part of a chain organization (three or more health care facilities that are owned, leased or otherwise controlled by one organization) and participates in the Medicare program, the reported management fee expense must be converted to a "Home Office" Cost Report, Form HCFA-287, prepared in accordance with the Medicare Principles of Reimbursement contained in

HCFA 15, §2150. Additional adjustments may be necessary to conform to the definitions of allowable costs in V.D.R.S.R. §4; i.e., advertising costs are limited to "securing necessary employees". Audited financial statements for the Home Office must also be submitted.

Equipment Rental

Reclassify (in Column 4) the cost of renting minor office equipment (copiers, typewriters, postage machines, etc.) to Property costs, line 145.

Seminars and Conventions

Include expenses associated with attendance at seminars and conventions: registration fees, transportation, lodging and meals.

Public Relations / Other Advertising

Only help-wanted advertising is allowable. All other advertising costs must be included in adjustments on SFD 2, line 15 and removed in Column 5.

Marketing

All expense must be removed in Column 5 and included in adjustments on SFD 2.

Contributions

All expense must be removed in Column 5 and included in adjustments on SFD 2, line 14.

Employee Recreation

Include the cost of social activities held for the provider's employees on special occasion (e.g., flowers, baby gifts, bridal gifts, etc.)

Motor Vehicle Expense

Operating Costs: Include costs for gas, oil, repairs, tires, insurance and state and local license fees. Do not include depreciation or interest; these are included in property costs.

Employee Mileage: Enter payments paid to employees for use of their own vehicles in the provider's business.

Interest Expense

Enter interest expense related to debt incurred on funds borrowed to finance daily operations, interest

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assessed by government(s) for late payment of taxes and interest charged by suppliers on overdue accounts (see instructions for SFD 7 on page 25).

Non-property Insurance

Include costs for malpractice, public liability, resident fund surety bonds, etc. Do not include health, life or workers' compensation insurance or any other employee benefit. Costs for Officer's Life Insurance must be removed in Column 5 and included in the adjustments on SFD 2, line 17.

Amortization of Organization Costs

Include expense related to the creation of a corporation or other form of business and for rights and privileges which have value to the enterprise. Such expenditures commonly include, but are not limited to, legal fees for the drafting of a Corporate Charter, Partnership Agreements, By-Laws, Government Fees, Accounting Fees, etc.

Corporate Income Taxes

Income taxes must be eliminated in Column 5 and on SFD 2, line 23.

Sales Taxes

Sales tax is not reported separately, but included in the cost of items purchased.

Line 103: Dietary Non-salary

Include costs of dietary paper products, kitchen utensils, soaps, detergents, menus, aprons, dietary uniforms, plates, tableware, cups, glasses, serving dishes, bowls and other dietary supplies (excluding food) that are not capitalized.

Line 104: Laundry Non-salary

Include costs for linens, purchased laundry services, soaps, detergents, bleaches, etc.

If costs in Column 3 include costs for disposable diapers, reclassify to Line 76, "Incontinent Products - Non- Chargeable".

Line 105: Housekeeping Non-salary

Include costs for brooms, brushes, cleaning compounds,

disinfectants, germicides, insecticides, mops, polishes, soap, paper towels, etc.

Line 107: Social Service non-salary supplies

Include all costs related to providing social services, except salaries and related fringe and contractual services.

Line 110: Beauty and Barber services

If direct costs are reported on this line, reclassify on SFD 1 to non-allowable costs, CR15, line 200.

Line 114: Tuition and Employee Education

Enter the cost of educational activities. Include the costs of tuition, books, supplies, fees, mileage payments (if any), etc., for all employees.

Lines 117 - 121: Blank Lines

Deduct overhead allocated to ancillary services not listed on lines 122-130.

Include any cost that does not meet the definitions for costs in any other cost categories. Some examples of these costs are:

Contract services for a "Medicare" nurse, inservice, nurse aide trainer, or OBRA nurse.

Personal hygiene care items: shampoo, toothpaste, soap, denture cleansers, Kleenex, combs, toothbrushes, etc. These items must be furnished routinely to all residents at no extra charge unless the resident wishes to use a product brand other than the "house" brand (e.g., "Aim" toothpaste as a personal choice rather than the "house" brand, "Crest"). If a charge is made, the costs related to the revenues received must be adjusted on SFD 2.

Lines 131 - 133: Non-allowable costs

Deduct indirect costs related to non-allowable cost centers and activities, such as Level III care or child-care for non-employees.

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CR11 - PROPERTY: Lines 136 - 151

Line 137: Property Insurance

Include the cost of insurance on the nursing facility property only: fire, theft, water damage, general liability, boiler, etc. If all insurance is classified in another cost center in the general ledger, the property portion must be reclassified to this line in column 4 and must be included on SFD 1, page 1.

For a Leased Facility: If the provider rents the facility from an unrelated person or entity and the lease obligates the:

- a) lessor to be responsible for the cost of property insurance, make no entry on this line.
- b) lessee to be responsible for the cost of property insurance, an entry should appear on this line, Column 3 or 4.

Line 138: Interest on Property Related Debt

The allowable expense shown in Column 10 is limited to debt incurred on funds borrowed to finance the purchase of a depreciable asset or land used by the nursing facility. Interest on working capital debt is not included here but in Indirect costs on line 101 or on one of the blank lines on pages CR9 and CR10.

For additional information, refer to V.D.R.S.R. §4.4 and the instructions for SFD 7, page 25.

Line 139: Facility Rent

In Column 3, include actual rent/lease expense paid to a related or unrelated party for the use of land, buildings and/or equipment included in the same rental payment. (Other rented equipment, such as copiers and postage machines, must be shown separately on line 145, "Equipment Rental".)

Reasonable lease expense for the rental of resident care related assets is allowable if the expense is the result of negotiations between unrelated parties and does not exceed the costs of ownership, see V.D.R.S.R. §4.9(a).

Rent expense paid to a related party is not allowable, see V.D.R.S.R. §4.9(b). Related party rent must be adjusted on SFD 2, line 32, removed in Column 5 and replaced with the costs of ownership. See instructions for SFD 5 on page 21.

For a sale and lease back transaction, any rental expense in excess of the expense that would have been incurred if the provider had retained legal title to the property must be removed in Column 5 and on SFD 2 (see V.D.R.S.R. §4.9(b)).

Line 141 and 142: Depreciation Expense

In Column 3 enter the expense recorded in your general ledger. Guidelines for determining Medicaid allowable expense are provided on pages 21 through 25 of these instructions.

Line 141: Depreciation - Buildings and Improvements

Include depreciation expense related to:

- A. the building and additions.
- B. land and building improvements.
 - 1) Land improvements include paving, landscaping, tunnels, fences, walls, parking lots, and on-site sewer and water lines (if these are the responsibility of the property owner).
 - 2) Building improvements include remodeling, built-in cabinets, counters, lighting fixtures, wallpaper, tile or vinyl flooring, carpeting, adding a porch or patio, elevators.

Line 142: Depreciation - Equipment

Include expense related to:

- A. fixed equipment.
- B. moveable equipment that:
 - (1) has a relatively fixed location within the building,
 - (2) is capable of being moved,

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- (3) has a unit cost sufficient to justify ledger control,
- (4) is of sufficient size and identity to make control feasible by means of identification tags.

Examples of moveable equipment are desks, chairs, typewriters, copiers, beds, wheelchairs, computers, lawn tractors, washing machines, stoves, coolers, carts, tables, etc.

C. Motor Vehicles

Enter expense related to motor vehicles owned by the provider or rented under a lease agreement that meets capitalization criteria.

Lines 146 - 149: Blank Lines

Use these lines to deduct property overhead costs related to non-allowable cost centers and activities, such as Level III care or child-care for non-employees.

Include any other property costs (see V.D.R.S.R. §6.6.) and amortization expense related to start-up costs.

Amortization of Start-Up Costs

Start-up costs are capitalized and amortized over 5 years (60 months). Start-up costs are operating costs incurred between the date the construction of a facility is completed and the date the first resident is admitted to the facility. During a normal period of operation, these costs would be considered current expense. Examples are costs of salaries, utilities, supplies, interest, taxes, insurance, housekeeping, etc.

CR12 - CR14: ANCILLARIES: Lines 152 - 194

Line 171: Non-legend Drugs Charged to Residents

Include costs for non-legend drugs (drugs that are not separately reimbursable under Social Welfare Regulation M800-M889) that are provided to a specific resident upon the order of a physician and for which a separate charge is made (revenue is recorded on the provider's books).

Line 172: Medical Supplies Charged to Residents

Include supplies that are provided to a specific resident by the order of a physician and for which a separate charge is made.

Line 176: Inhalation Therapy

Include costs for oxygen, contracted services, etc. Costs for rental of equipment needed to provide this service may be included here or included in property costs and allocated to this ancillary service in the stepdown.

CR14: CONTINUING ADJUSTMENTS Lines 195 -198

(not included in cost categories: V.D.R.S.R. 8.7 (h).)

Line 195: Health Care Provider Tax

Enter the Health Care Provider Tax assessment for the reporting period.

CR14: TOTAL ALLOWABLE COSTS: Line 199

Enter the sum of the costs entered for each cost category: Nursing, Director of Nursing, Resident Care, Indirect, Property and Related, Ancillaries and the costs related to Continuing Adjustments.

CR15: NON-ALLOWABLE COSTS: Lines 200 - 215

Line 200: Direct Costs for Barber and Beauty Services

Include salary, employee benefits, supplies and all other direct costs of operation. If a provider rents space to an outside contractor, rental income must be offset against any direct expense. Do not include overhead costs related to providing barber and beauty shop services, see (V.D.R.S.R. §4.14).

Line 204: Dental

Include amounts paid by the provider to a dentist. Include supplies and other direct expenses associated with providing dental services within the facility. Indirect costs (overhead), including depreciation on equipment, are allowable, see V.D.R.S.R. §4.18. If

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dental services are provided to both residents and non-residents, indirect expenses related to services for non-residents must be included in the adjustments on SFD 2 and removed in Column 9.

Line 205: Legend Drugs

Include costs (including overhead) of prescription drugs that are separately reimbursable under Social Welfare Regulation M800-M889.

Line 206: Level III

Include salary, employee benefits, supplies, and all other expenses related to this unit, including allocated overhead.

Other Non-allowable Costs: Lines 208 - 214

Physician

Include any amounts paid by the provider to a physician who provides direct care to residents (do not include the cost of a Medical Director who is contracted to provide "consultative" advice to the provider).

Include supplies and other expenses associated with the operation of a physician's office located within the facility. Overhead related to a physician's office is not allowable and must be reclassified to non-allowable costs on SFD 1.

Other Rented Space

Enter any direct operating expenses on this line and, in Column 9, enter the indirect costs (overhead) determined in the stepdown, SFD 3.

Canteen, Gift, and Coffee Shop

Include salary, supplies, and other direct operating expenses for any of these activities. The cost of goods purchased for vending machines must be included on this line. Overhead (including depreciation on assets) related to these areas must be reclassified on SFD 1 and entered in Column 9.

Owner Salary/Bonus

Enter the gross salaries and/or bonuses paid to non-working owners of the business. Where an owner is a working employee of the provider (e.g., Administrator or Director of Nursing), his/her

compensation must be reported with the salaries for the department where he/she works.

CR15: GRAND TOTAL ALL COSTS: Line 216

Enter the sum of lines 199 and 215 in each column.

CR16 - CR17: SCHEDULE B: BALANCE SHEET

Complete the Balance Sheet as of the last day of the reporting year.

The Balance Sheet has four columns.

Proprietary providers complete Columns 2, 3 & 4.

Not-for-Profit providers complete only Column 2.

Column 1: Assets/Liabilities and Capital

The common balance sheet accounts are identified. Blank lines are provided to enter less common accounts.

Column 2: Balance Sheet per Books (All providers)

Enter the balances as they appear in the general ledger. Column two totals must agree to the audited financial statements.

Column 3: Adjustments (Proprietary providers)

Enter all adjustments needed to bring the equity balances to the amounts allowed under provisions of V.D.R.S.R. and HCFA 15.

Examples of adjustments to equity:

- 1) Remove all receivables/payables due from/to related parties.
- 2) Adjust the net book values of assets to agree with the adjusted amounts reported in SFD 6.
- 3) Include the facility's portion of home office equity.

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- 4) Adjust liabilities for debt not recognized under the Medicaid program.
- 5) Remove balances (receivables, payables, assets, debts) that relate to non-allowable cost centers, including other levels of care.
- 6) Remove investment balances that have been held for six months and cannot be readily converted to cash, including balances in funded depreciation accounts.

Column 4: Adjusted Balance Sheet for Computation of Equity Capital (Proprietary providers)

Enter the sum of Columns 1 and 2.

CR16: SCHEDULE B: ASSETS

Current Assets: Lines 1 - 12

Line 1: Cash on Hand and In Banks

Enter any cash immediately available for operations. Include cash on hand, certificates of deposit, savings and checking accounts (including "Sweep" accounts) and petty cash. Provide detail on Subschedule SFD 17, page 27.

Line 2: Temporary Investments

Enter account balances for investments that will be converted to cash within one year. Provide detail on Subschedule SFD 18, page 27. (Investment income may have to be offset against interest expense on SFD 2, Line 28; see pages 16 and 17 of these instructions.)

Line 3: Notes Receivable

Enter the portion of notes receivable due within twelve months.

Line 4: Accounts Receivable

Enter the accounts receivable for resident related services and supplies.

Line 5: Other Receivables

Enter receivables that are not included on line 5 or 7.

Line 6: Allowance for Uncollectible

Enter the allowance for uncollectible accounts.

Line 7: Due from Related Parties

Enter accounts receivable from owners and related parties.

Line 8: Prepaid expenses

Enter the total of all prepaid insurance, taxes, interest, rent, licenses and fees, etc., at the end of the reporting year. The individual prepaid items must be listed in Subschedule SFD 15, page 26.

Line 9: Other current assets

Include current assets not included on any other line. Identify these assets on Subschedule SFD 15, page 26.

Lines 10 and 11: Include any other material current assets.

Line 12: Total current assets

Sum lines 1 through 11.

Fixed Assets: Lines 13 - 29

Enter the amounts reported in SFD 6 (Sections A, B, C, D and F) for asset values accumulated depreciation for Land, Land Improvements, Building, Leasehold Improvements, Fixed Equipment, Automobiles and Trucks and Moveable Equipment.

Other Assets: Lines 30 - 38

Line 30: Investments

Enter balances for investments that will be held longer than one year. If any balances are restricted, attach an explanation showing amounts and nature of the restriction.

Line 31: Due from Owners/Officers

Enter amounts not expected to be repaid within one year.

COST REPORT INSTRUCTIONS

Line 32: Deferred Expenses

Enter any deferred expenses.

Line 33: Organization and pre-operating costs

Include the net book values of the capitalized costs of organizing the business enterprise and of the pre-operating costs from the time of organization until the time of the first admission.

Line 34: Deposits on Leases

Enter any lease deposits.

Lines 35 and 36: Other assets

Specify the account names and enter the amounts by account on SFD 15, page 26.

Line 37: Home Office Equity

Enter the provider's share of the equity in the Home Office or management company.

Line 38: Total Other Assets

Enter the sum of lines 30 through 37.

Line 39: Total Assets

Enter the sum of the lines 12, 29 and 38.

CR17: SCHEDULE B: LIABILITIES and CAPITAL

Current Liabilities: Lines 40 - 48

Line 40: Accounts payable

Include trade accounts, advance billings, and retroactive settlements.

Line 41: Salaries and Wages Payable

Include liabilities incurred (but not paid) for salaries and wages (vacation, sick pay, union dues, etc.)

Line 42: Payroll Taxes Payable

Include amounts withheld for federal income tax, state income tax and FICA and amounts accrued for unemployment taxes, disability insurance, and employer's share of FICA tax. Do not include real estate tax and income tax.

Line 43: Notes and Loans Payable

Include notes and loans payable within the next twelve (12) months. Do not include current portion of long term debt (see line 47).

Line 44: Deferred Income

Include any deferred income.

Line 45: Income Taxes Payable

Enter the federal and state income tax due on the income for the reporting period plus unpaid taxes on income for prior periods.

Line 46: Other Current Liabilities

Include current liabilities not included on another line. Identify each on Subschedule SFD 16, page 26.

Line 47: Current Portion of Long Term Debt

Enter amount that will be paid in the next twelve (12) months.

Line 48: Total Current Liabilities

Enter the sum of lines 40 through 47.

Long Term Debt: Lines 49 - 56

For each long term obligation, enter the total debt on the appropriate line.

Line 54: Total Long Term Debt

Enter the sum of lines 49 through 53.

Line 55: Less: Current Portion

Enter the amount included on line 47 above.

COST REPORT INSTRUCTIONS

Line 56: Net Long Term Debt

Line 54 minus Line 55.

Total Liabilities: Line 57

Enter the sum of lines 48 and 56.

Capital: Lines 58 - 65

Lines 58 - 60: Common Stock, Preferred Stock and Paid in Capital

Enter the appropriate amounts on each line.

Line 61: Retained Earnings

Enter balance at the end of the reporting period (from CR18, line 82).

Lines 62-63: Other Capital

Enter capital accounts not included on other lines. Not-for-Profit providers include fund balances from CR18, line 82.

Line 64: Treasury Stock

Enter any balance as a negative amount.

Line 65: Total Capital

Enter the sum of lines 58 through 64.

Line 66: Total Liabilities and Capital

Enter the sum of lines 57 and 65.

CR18: SCHEDULE C: Part 1: STATEMENT of CHANGES in EQUITY (Proprietary) / FUND BALANCE (Not- for-profit)

Complete column 2 according to the line item descriptions shown in column 1. The amounts entered in column 2 must agree to the general ledger and the audited financial statements.

Capital Stock: Lines 67 - 72: Proprietary

Line 67: Capital Stock - Beginning Balance

The amount entered here must agree with the balances reported at the end of the previous cost report period.

Lines 68-71: Additions/Withdrawals

Enter transactions that affected capital stock during the reporting period.

Line 72: Net Capital Stock

Enter the sum of lines 67 through 71. The amount on line 72 must reconcile to the capital stock balances reported on page CR17, lines 58, 59 and 60.

Retained Earnings / Fund Balance: Lines 73 - 82

Line 73: Retained Earnings / Fund Balance- Beginning Balance

The amount entered here must agree with the retained earnings balance at the end of the previous reporting period.

Lines 74 - 79: Adjustments

Include all items, except income/loss in the current period (see line 80) and dividends and other distributions (see line 81), that affected the balance in Retained Earnings or the Fund Balance from the end of the prior reporting period through the end of the current period.

Line 80: Net Income (Loss)

Enter the income or loss after income taxes. The amount reported here must agree to Schedule D (line 17, page CR19), the general ledger and the audited financial statements.

Line 81: Dividends/Distributions

Enter the appropriate amount as a negative number.

Line 82: Retained Earnings / Fund Balance - Ending Balance

Enter the sum of lines 73 through 81.

COST REPORT INSTRUCTIONS

Equity / Fund Balance - End of Year: Line 83

Enter the sum of lines 72 and 82. The amount shown here must agree to the audited financial statements and to the total capital balance shown on page CR17, line 65.

CR19: SCHEDULE D: STATEMENT of EXPENSES and PROFIT (LOSS)

All providers must complete the schedule according to the classifications and references shown in the first column.

Lines 1 - 8

Transfer the operating expenses from Schedule A, Column 3, according to the references on each line.

Line 9: Subtotal

Add lines 1 through 8.

Line 10: Non-allowable Costs

Enter expense from Schedule A, Column 3, Line 215.

Line 11: Subtotal Expenses

Enter sum of lines 9 and 10. This line includes all operating expenses and must agree to Schedule A, Column 3, line 216.

Line 12: Other Non-operating Expenses

Enter all non-operating expenses. Identify each of these expenses by name and amount in empty spaces on page CR19 or attach a separate schedule. Do not lump all expenses together and identify as "miscellaneous".

Lines 13 - 17: Complete according to the instructions on each line.

Line 15 must agree to the "Income before Taxes" reported in the audited financial statements. If it does not agree, a reconciliation schedule must be submitted with the cost report.

CR20: SCHEDULE E: PUBLISHED CHARGES

On this schedule enter the facility's published charges for room and board and the charge per service and/or mark-up for ancillary services. Attach copies of all the facility's published rate schedules that were in effect at any time during the reporting period.

CR21: SCHEDULE F: RELATED PARTIES LISTING

On this schedule identify all related parties associated with one or more of the following:

- 1) an expense is included in the Cost Report that resulted from a transaction with a related organization or person.
- 2) an asset is reported in the Cost Report that resulted from a transaction with a related organization or person.
- 3) a liability is reported in the Cost Report that resulted from a transaction with a related organization or person.

Include the dollar amounts included as costs in Schedule A or as assets/liabilities in Schedule B and indicate the appropriate page(s) and line item number(s).

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Page 1: SFD 1: RECLASSIFICATIONS

To report costs according to the cost classifications of the case-mix system and definitions of allowable Medicaid costs, it may be necessary to reclassify costs entered from the trial balance accounts.

For example, if the provider includes all interest expense in the Administration cost center on his/her books and reported this expense on line 101, column 3, it will be necessary to reclassify the portion of interest related to property. The provider will include the interest expense reclassification on SFD 1, page 1 and then transfer the amounts from SFD 1 to Schedule A by deducting interest expense on line 101, and adding the same amount to Property and Related expense, line 138.

SFD 1 has seven (7) columns to be completed as follows:

- Column 1:** Provide a brief explanation of each reclassification entry.
- Column 2:** Enter the cost category to which a reclassified expense is **added**.
- Column 3:** Enter the line number in Schedule A to which the reclassified expense will be **added**.
- Column 4:** Enter the amount **added** to the cost category named in column 2 on the line identified in column 3.
- Column 5:** Enter the cost category from which a reclassified expense is **deducted**.
- Column 6:** Enter the line number in Schedule A from which the reclassified expense will be **deducted**.
- Column 7:** Enter the amount **deducted** from the cost category named in column 5 on the line identified in column 6.

Some reclassifications will involve compound entries composed of a single amount on one side (increase or decrease) and an opposite entry consisting of more than one figure.

For example: if all insurance costs were reported in the Administrative cost center (Column 3, line 101), it will be necessary to reclassify insurance expense for property and workers' compensation as follows:

Column -2- Increase	Column 3- Line #	Column 4- Amount
Workers' Comp	2	25,000
Property	138	4,000
Total		29,000

Column -5- Decrease	Column 6- Line #	Column 7- Amount
A&G Non-salary	101	29,000

Transfer the amounts from columns 4 and 7 to the appropriate lines on Schedule A, column 4, except reclassifications of overhead to ancillary cost centers which are entered on Schedule A, column 7.

The totals in columns 4 and 7 of SFD 1 must be equal and when posted to Schedule A, the totals for columns 4 and 7 must equal zero on CR14, line 199, Allowable Costs.

Pages 2 and 3: SFD 2: ADJUSTMENTS

This schedule consists of two (2) pages and provides for the adjustments to expense where the provider's operating costs include amounts not related to resident care, items or services that are not allowable under the program or that flow from the provision of luxury items or services (i.e., items or services substantially in excess of or more expensive than those generally considered necessary for the provision of health services).

These adjustments are to be made to the provider's general ledger expense as reported and reclassified on Schedule A on the basis of either "cost" or "amount received" (revenue). Revenue is used only when the direct and/or indirect cost cannot be determined. Once an adjustment has been made on the basis of "cost", the provider may not make an adjustment to the same item in future periods on the basis of "revenue" without the written permission of the Division of Rate Setting.

The "explanation" column describes the more common miscellaneous income producing activities that reduce gross costs and some costs that are not allowable under the Medicaid program. The descriptions listed are not all inclusive. Blank lines

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

are provided to allow the provider to report other adjustments that are necessary to conform to program regulation.

Column 1: Basis for Adjustment

Enter the letter "A" for cost, the letter "B" for revenue or the letter "C" for grants, gifts, and income designated by the donor for specific expenses.

Column 2: Amount

Enter the amount to be adjusted opposite the appropriate description. Indicate a negative entry by enclosing the amount in brackets.

Column 3: Cost Category

Enter the cost category in Schedule A that will be affected by the adjustment.

Column 4: Line No.

Enter the line number in Schedule A where the amount adjusted will be added or deducted.

Many line items are self-explanatory. The following instructions are for adjustments on the indicated lines:

Line 9: Revenue received for non-resident meals must be offset against the cost of food.

Line 28: Investment income must be offset against interest expense, except income on donated funds and funded depreciation (see page 26 of these instructions).

Investment income is first offset against the property interest expense (Schedule A, line 138) and then against any working capital interest expense.

If investment income exceeds all interest expense, net allowable interest expense would be zero and the excess income is not offset against other costs.

Offsets to interest expense are made after all reclassifications and other adjustments.

Line 38: Allocation from Other Entities is the summary of the costs allocated to hospital

affiliated nursing facilities in accordance with Division of Rate Setting Practice and Procedure Issuance No. 93-1. See V.D.R.S.R. §2.3(f),(g),(h),(i),(j),(k),(l).

These costs require supporting documentation as set forth in V.D.R.S.R. §2.3(b):

- 1) a summary of the allocated costs,
- 2) the financial statements of the entity from which costs are allocated.
- 3) a reconciliation of the allocated costs to the financial statements required above,
- 4) the Medicare cost report of the entity.

Enter adjustments in Schedule A:

Transfer the adjustments that do not result from stepdown allocations to Schedule A, column 5, on the appropriate lines. Cost allocations to non-allowable cost centers that are determined in the stepdown, SFD 3, are entered in Schedule A, Column 9.

It is not necessary to show each individual adjustment as a separate amount on Schedule A. The adjustment shown on one line in Schedule A may be an aggregate amount composed of several individual adjustments on SFD 2.

For example: if six (6) separate adjustments of \$200 each are shown on this schedule and they all affect "Depreciation - Buildings", an aggregate adjustment figure of \$1,200 would be transferred to Schedule A, column 5, Line 141.

Page 4: SFD 3: STEPDOWN of ALLOCATED COSTS

The stepdown is for the allocation of costs both

- (1) within the nursing facility (employee benefits and ancillary overhead) and
- (2) from the nursing facility to non-allowable cost centers (to a Level III facility, diagnostic services, etc.)

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Costs that are allocated from another entity to the nursing facility are reported on SFD 2, line 38. See pages 16 and 17 of these instructions.

If a provider allocates costs by some method other than the stepdown, an attachment must be made to the cost report. This attachment must include a schedule of all allocations by cost center for indirect costs and utilities and by line item for other costs.

If prior approval for the provider's allocation method has not been granted by the Division, the Division will evaluate the provider's method and may accept it or reject it in favor of the stepdown. Acceptance of the alternative method means this method must be used in subsequent cost reporting periods unless an application for a change is approved according to V.D.R.S.R. §2.3(d) and (e).

The "Adjusted Costs for Stepdown" are costs from Schedule A, Column 3, net of the reclassifications from SFD 1 and the adjustments from SFD 2 that affect allowable and non-allowable direct costs. All non-allowable costs that share overhead with the facility must be included in the stepdown.

This stepdown has numerous columns to incorporate the cost structure of the case-mix system. Most providers will not use all these columns.

For example, if a facility needs to allocate only:

- 1) employee benefits and payroll taxes to the cost categories

and 2) administrative overhead to ancillaries and non-allowable costs.

The columns used would be:

- 1) the allocation column for "employee benefits and payroll taxes",
- 2) the "subtotal" column for accumulated costs,
- 3) the allocation column for "Indirect Admin. & General" and
- 4) the "Total" column.

Where employee benefits and payroll taxes are

allocated to the cost categories in the stepdown, enter the appropriate amounts on SFD 1 (Reclassifications) and on Schedule A, Column 4.

Where costs are allocated to non-allowable cost centers, enter the amounts on SFD 1 (Reclassifications) and Schedule A, Column 9.

Where costs are allocated to ancillary cost centers, the amounts are entered on SFD 1 (Reclassifications) and on Schedule A, Column 7.

Page 5: SFD 3: STEPDOWN: STEPDOWN STATISTICS

The preferred statistical basis for allocating each type of cost is shown beneath the cost center description near the top of the schedule. These statistical bases are also described in V.D.R.S.R. §2.3(g).

Direct Costs

It is preferred that the costs for activities, social services, nursing salaries, nursing supplies, medical supplies not-charged, non-legend drugs and director of nursing services be included in the direct costs of either the nursing facility or the non-allowable cost centers in the column titled "Adjusted Costs for Stepdown" on page 4, see V.D.R.S.R. §2.3 (g).

Direct costs must be tracked throughout the reporting period and posted to the general ledger in accounts that separate costs for the nursing facility and other entities.

If these costs are not direct costed throughout the reporting periods, they may be allocated in the stepdown using the blank lines in the left hand column and the untitled columns on the right. See the section for "Alternative Basis for Allocation" below.

Direct Costs - Non-allowable Cost Center(s)

Providers must maintain accurate and auditable records of the direct cost of operations of non-allowable centers. All costs related to non-allowable cost centers must be included in the stepdown.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Preferred Statistics

shown on page 5 must agree with the subtotals shown in the sixth column on page 4.

Specific Identification

Specific Identification is the preferred statistical basis for allocating property costs related to equipment. Depreciation expense or cost of rental related to each equipment asset is allocated to the cost center that uses that asset.

Square Footage

This is the preferred statistical basis of allocation for Property (excluding equipment), Plant Operation and Maintenance, Utilities and Housekeeping.

The total square footage statistic should exclude all common areas.

For providers with multiple levels of care, the square footage statistic for each level is based on the physical measurements of the nursing care areas (nursing stations, resident rooms, corridors, etc.). The square footage occupied by other shared services (administration, plant, utilities, dietary, laundry, housekeeping, activities, ancillary services, etc.) is entered on the appropriate lines.

The square footage used by non-allowable cost centers must be entered on the appropriate line(s) and included in the total square footage statistic.

Direct salaries

This is the preferred statistical basis for allocating Employee Benefits and Payroll Taxes and Child-care costs (provided for children of employees) that are not directly assigned to the cost centers in the provider's general ledger. Direct salaries include all salaries, wages and other compensation paid and accrued, including bonuses.

The Accumulated Cost Statistic

This is the preferred statistical basis for allocating Administrative Costs. The individual statistics are the sums of the amounts in the five columns to the left of the Subtotal column on page 4, i.e., the sum of direct costs, equipment costs, other property costs, employee benefits and payroll taxes and child care. The individual accumulated cost statistics

Pounds of Laundry

Pounds of laundry is the preferred statistic for allocating laundry costs. Soiled laundry must be separated, weighed and recorded daily in a log or periodically on survey forms (see the next column, "statistics based on volume of services"). Include all amounts laundered including laundry for each level of care, general service centers, activities, therapy departments and non-allowable cost centers.

Resident Days

The number of resident days is the preferred statistical basis for allocating food, other dietary costs and indirect nursing costs that are not included in direct costs. The individual statistics for the nursing facility and other levels of care must agree to the census on CR2, Section B. This statistic should not be used to allocate food and other dietary costs where the facility serves a significant number of meals to non-residents. Where this is the case, use the alternative statistic based on meals served. (See the next column, "statistics based on volume of services".)

Resident days for a Level III or a self-care/congregate living unit must be included in the total statistic of a cost center that includes operating costs related to this unit.

Alternative Basis for Allocation

The following alternative bases for allocation are recommended. Other bases may be used if they provide a reasonable basis for allocation and are approved by the Division.

If the following are not included in direct costs, the recommended basis of allocation is:

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

<u>Type of Cost</u>	<u>Alternative Basis</u>
1) Nursing Salaries and Benefits Director of Nursing	Nursing Hours
2) Medical Supplies, Non-legend Drugs and Other Nursing Supplies	Basis used for Nursing Salaries or Costed Requisitions or Resident Days
3) Activities and Social Services	Hours of Service or Resident Days

If the preferred statistic is not used for allocation, the recommended alternative basis for allocation is:

<u>Preferred Basis for Allocation</u>	<u>Alternative Basis</u>
1) Specific Identification	Square Footage
2) Square Footage	Hours of Service (Housekeeping Only)
3) Accumulated Cost	None
4) Pounds of Laundry	Resident Days
5) Resident Days	None

If a provider chooses an alternative basis for allocation, the alternative must be identified on the line provided. An alternative basis that has not been accepted by the Division in prior periods or that differs from the basis used by the provider in prior years may be rejected by the Division.

All statistics must be auditable.

Upon request, the Division must be provided with floor plans, logs, surveys, census data, payroll data, etc., to substantiate statistics.

Statistics based on volume of services, such as pounds of laundry for laundry costs (preferred statistic) and meals served for allocating dietary costs (alternative statistic), must be determined in one of two ways:

- 1) It is recommended that the provider keep a daily log to determine these statistics.

- 2) The statistic may be based on surveys that must be performed over a total minimum period of 8 weeks, with at least two weeks in each quarter of the calendar year.

Allocations based on hours worked must be supported by auditable records kept by the provider (i.e., time cards, nursing unit assignment sheets, nurses notes, etc.).

The total statistic for a cost center must include individual statistics for all other cost centers that use the services of that cost center and that are listed below it in the left hand column. These "all other cost centers" include other general services, ancillary services, other levels of care and non-allowable cost centers.

Page 6: SFD 4: CALCULATION OF MEDICAID ANCILLARY COSTS

This schedule is used to determine the costs of providing ancillary services to Medicaid residents.

Providers who do not book separate charges for ancillary services and who do not participate in the Medicare program are not required to complete this schedule.

If providers do not participate in the Medicare program and do not book charges for ancillary services, the per diem costs for providing ancillary services to Medicaid residents are determined by dividing the total ancillary costs determined in the stepdown by all resident days.

Each ancillary service or supply must be for a specific resident under a specific order of the resident's physician and for which a separate charge is made. Ancillary services and supplies frequently provided are listed in the left hand column. There are blank lines provided for listing other ancillaries.

Column 1: Total Costs

Enter the total costs for each ancillary service, including both direct and indirect (allocated overhead) expenses. If a provider allocates costs in the stepdown (SFD 3, page 4), the total costs reported here must equal the total stepdown costs.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Column 2: Total Charges

Enter the total charges booked for all payor classes for each ancillary service. The amount must equal the total of the reported revenues for this service in SFD 10, page 17.

Column 3: Ratio of Costs to Charges

For each ancillary service, divide the total costs (Column 1) by the total charges (Column 2).

Column 4: Medicaid residents billed under Medicare Part B

For each ancillary service, enter the charges booked for Medicaid residents where the costs related to these charges are billed to Medicare Part B.

Column 5: Other Medicaid Charges

For each ancillary service, enter the charges booked for Medicaid residents if the costs related to these charges are not billed to Medicare Part B.

Column 6: Total Medicaid Charges

Enter the sum of columns 4 and 5.

Column 7: Costs related to Medicaid Charges

Enter the product of the ratio of costs to charges (Column 3) and the total Medicaid charges (Column 6) to determine the cost of each ancillary service provided to Medicaid residents.

Sum the costs for each ancillary service.

From this total, deduct any payments received (or receivable) from Medicare Part B for Medicaid residents. This amount is the net Medicaid ancillary costs.

Column 8: Medicaid Resident Days

Column 9: Medicaid Ancillary Per Diem Costs

Divide Medicaid costs (Column 7) by Medicaid resident days (Column 8).

Page 7: SFD 5: BUILDING and GENERAL INFORMATION

This schedule is to determine if assets used by the facility are:

- a) owned by the operating entity,
- b) rented from a related party or
- c) rented from a party who is not related.

Part **A** relates to land and building assets.

Part **B** relates to equipment assets.

One box in part A and one or more boxes in part B must be checked. The boxes you check determine what additional schedules must be completed.

<u>If you check</u>	<u>Additional Schedules Required</u>
---------------------	--------------------------------------

- | | |
|--------|------------------|
| A. (a) | SFD 6 and SFD 7. |
| A. (b) | SFD 6 and SFD 7. |

Note: Rent paid to a related organization is not allowable. If a provider rents from a related organization, allowable costs are the costs of ownership (V.D.R.S.R. §4.9). Information must be provided so that these costs can be determined.

- | | |
|--------|------------------|
| A. (c) | SFD 8. |
| B. (a) | SFD 6 and SFD 7. |
| B. (b) | SFD 6 and SFD 7. |
| B. (c) | SFD 8. |

Pages 8 - 12: SFD 6: ASSETS: PARTS 1-5: SECTIONS A - K.

Explanations for Column Headings used in SFD 6:

Historical Cost at the Beginning of the Year:
(see V.D.R.S.R. §4.5):

Enter the cost or basis of the asset(s) recorded on your books.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

The basis of donated assets is the fair market value of the asset as of the date of the donation.

The historical cost of a constructed asset includes the cost of labor and materials.

Assets Added/Deleted This Year:

Enter the net amount on your books resulting from deleting and adding assets during the reporting year.

For a donated asset, include an attachment to the cost report explaining and documenting the determination of market value.

Historical Cost at Year End

Enter the sum of the historical cost at the beginning of the year and the cost/basis of assets added/deleted this year. This amount must agree to the amount reported in the financial statements for each class of assets.

Book A/D End of Year

Enter the accumulated depreciation recorded on your books at the end of the reporting period for the asset(s) reported on this line.

Current Book Depreciation

Enter the depreciation expense recorded on your books for the reporting period and related to the asset(s) reported on this line.

Medicaid Life Years

Enter the estimated useful life used to determine Medicaid allowable expense. As a rule, the Medicaid useful life is one of the following:

- 1) the useful life you assigned to the asset if the Division has reviewed and accepted this life.
- 2) the useful life assigned by the Division in past desk reviews.
- 3) the useful life according to the most recent edition of the AHA *Estimated Useful Lives of Depreciable Hospital Assets*.

The AHA estimates of the useful lives of assets should be used for all asset additions during the year.

Do not retroactively change the estimated useful life of an asset. The estimated useful life of any asset must be consistent from year to year.

Straight-Line Depreciation or Medicaid Straight-Line Depreciation:

Enter the current year depreciation expense. Annual expense is calculated by dividing the Medicaid allowable basis by the Medicaid estimated useful life in years. The annual expense must be prorated for assets that were not in service for the full year.

The Medicaid allowable basis is determined according to V.D.R.S.R. §4.5.

According to V.D.R.S.R., §4.6, depreciation expense must be calculated using the straight-line method. Where a provider uses an accelerated method for tax or other business reasons and reports this expense in Schedule A, Column 3, a conversion to the straight-line method is necessary.

Expense Adjustment

Enter the difference between the Current Book Depreciation and the Medicaid Straight-Line Depreciation.

Medicaid Accumulated Depreciation (A/D)

Enter the accumulated depreciation calculated by adding Medicaid allowable depreciation for this reporting period (see above) to the Medicaid accumulated depreciation for the prior reporting period.

SFD 6, Parts 1-5, must include all assets rented or leased from related parties and used in the provision of resident care.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Page 8: SFD 6: PART 1: LAND and BUILDINGS

Section A: Land

In columns 2 and 3, enter the total acreage of land and in columns 4, 5 and 6, enter the cost of the land on which the facility sits.

Section B: Building Depreciation

Lines 4 through 8:

Include information on all buildings and additions, EXCEPT assets not related to resident care, assets that exceed the amounts approved through the CON process and other assets not recognized by the Division. (These assets must be shown in SFD 6, Part 2, Section E, Page 9.)

Each building asset addition or disposal during the reporting period must be itemized separately or a supporting schedule of itemized additions and disposals must be attached.

The total cost of a building asset includes the cost of the construction or purchase and any related assets, such as boilers, central air, plumbing, elevators, handrails, etc. For additional information on costs that are to be included in the cost of an asset, see V.D.R.S.R. §4.5.

Do not increase the basis of any asset retroactively by capitalizing costs that were previously expensed by the provider.

Lines 9 through 19:

Include improvements to land, buildings and additions EXCEPT for assets previously disallowed by the Division, such as assets not related to resident care and assets that exceed the approved through the CON process. (These assets must be shown in SFD 6, Part 2, Section E, Page 9.)

All improvements added in prior years may be included on the same line.

Each addition and disposal in the current reporting period must be listed here or on an attached schedule.

If the book depreciation amounts in Column 8 are not the Medicaid allowable depreciation amounts, enter the Medicaid allowable depreciation in Column 10. Enter the difference between Columns 8 and 10 on each line in Column 11.

Total lines 4 through 19 for each column.

Page 9: SFD 6: PART 2: FIXED EQUIPMENT, MOVEABLE EQUIPMENT and NON-ALLOWABLE ASSETS

Section C: Fixed Equipment

All allowable fixed equipment (purchased and donated), must be included on lines 21 and 22, Column 2. Do not include assets that are in excess of CON limits or not allowed by the Division in prior periods (these must be shown on SFD 6, Part 2, Section E, Page 9).

If the book depreciation expense entered in Column 4 is not the Medicaid allowable depreciation expense, enter the Medicaid allowable depreciation in Column 6. Enter the difference between Columns 4 and 6 in Column 7.

Total each column on line 23.

Medicaid accumulated depreciation for this section is calculated as indicated for Section B above.

Section D: Moveable Equipment

All allowable capitalized moveable equipment (purchased or donated) must be included on lines 24 and 25, Column 2.

Do not include motor vehicles (reported in SFD 6, Part 3, Section F, page 10) and assets in excess of CON limits or not allowed by the Division in prior periods (these must be shown on SFD 6, Part 2, Section E, Page 9).

Enter the book depreciation in Column 4. Enter the Medicaid allowable expense in Column 6. Enter the difference between Columns 4 and 6 in Column 7.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Total each column on line 26.

Medicaid accumulated depreciation for this section is calculated as indicated for Section B above.

Section E: Non-allowable Assets

All depreciable assets that are not recognized by the Division are to be reported in this section.

Page 10: SFD 6: PART 3: MOTOR VEHICLES and SUMMARY - ALLOWABLE ASSETS

Section F: Motor Vehicles

Each motor vehicle owned by the provider and used for resident care related activities must be listed here.

Include all asset additions and deletions for the cost reporting period.

In Column 11, indicate the percent personal use for each vehicle.

If a provider leases a vehicle(s) used for resident care related activities and the lease is an operating lease, the lease expense on the leased vehicle(s) must be shown on SFD 8, Section C, page 15, and included in administrative non-salary costs on Schedule A, Column 3, Line 101, page CR9.

Section G: Summary of Allowable Assets

This is a summary of all allowable assets and depreciation expense itemized in Sections A through F. Complete according to the instructions in Columns 1 and 2.

Page 11: SFD 6: PART 4: ASSET ADDITIONS

Section H: Current Additions: Fixed Equipment Section I: Current Additions: Moveable Equipment

Enter the requested information for each equipment asset addition during the reporting period.

Column 1: Enter the purchase date.

Column 2: Enter the date the asset was first used in resident care related activities.

Column 3: Enter the name of the vendor.

Column 4: Enter a description of the asset.

Columns 5-8: Complete each column as indicated. Refer to the instructions for these column titles on pages 21 and 22.

Page 12: SFD 6: PART 5: ASSET DISPOSALS

Section J: Current Disposals: Fixed Equipment Section K: Current Disposals: Moveable Equipment

Enter the requested information for each equipment asset disposed of during the reporting period.

Column 1: Enter the disposal date.

Column 2: Enter a description of the asset.

Columns 3-7: Complete each column as indicated. Refer to the instructions for these column titles on pages 21 and 22.

Column 8: Enter the net book value at the time of disposal based on the Medicaid accumulated depreciation.

Column 9: Enter the method of disposal (scrapped, sold, etc.).

Column 10: If sold, enter the amount received.

Column 11: Enter the gain or loss on disposal: Column 10 minus Column 8.

Line 64: Fixed equipment: For each column, enter the amount from Section H, Line 47, total current asset additions.

Line 65: Enter the net additions/deletions (subtract line 63 from line 64). The amounts here must agree with the Current Adds/ Deletes in Section C, Line 22, page 9.

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Line 73: In each column, enter the amount from Section I, Line 56, total current asset additions.

Line 74: Enter the net additions/deletions (subtract line 73 from line 74). The amounts here must agree with the Current Adds/ Deletes in Section D, Line 25, page 9.

Pages 13 - 14: SFD 7: INTEREST EXPENSE: Parts 1 and 2

Any and all interest expense included in costs reported on Schedule A of the Cost Report must be included on one of the two SFD 7 Schedules.

Include:

- 1) all unpaid notes as of the last day of the reporting year;
- 2) all notes paid off during the reporting period.

Itemize all debt instruments.

Include mortgages, notes, interest due on late payment of taxes, etc. Short-term notes, other than those from related parties, may be grouped together (all notes to related parties must be reported individually on SFD 7, Part 2).

Bond issues must be reported on this schedule; indicate bond issues by writing "Bond" in Column 1.

Interest Paid During Construction.

Do not report interest expense paid during construction or accrued during the construction of a new facility or addition prior to the first resident admission. Interest during construction must be capitalized as part of the asset cost and included on SFD 6, Section B. Any interest expense incurred between the completion of construction and the date of the first admission is included in pre-opening "start-up" costs that are amortized over a period of not less than sixty months. The amortization expense is included in property costs; see page 10 of these instructions.

Page 13: SFD 7: INTEREST: PART 1:

SECTION A: PROVIDER DEBT - Non-related Party

Identify all interest bearing debt that the provider is legally liable to repay to a non-related party.

Each column (1 through 9) must be completed for each reported debt and must include all debt and interest expense activity for the reporting period.

For variable rate debt where rates and payments change during the reporting period, indicate each date of change and the interest rate and payment amount after each change.

Page 14: SFD 7: INTEREST: PART 2: SECTION B: RELATED PARTY DEBT

Include all debt where the provider and lender are related through common ownership and/or control or where the provider rents the facility from a related party that has debt related to the facility.

Page 14: SFD 7: INTEREST: PART 2: SECTION C: SUMMARY

Enter the requested data from Sections A and B and total the amounts on line 23.

Page 15: SFD 8: RENTAL COSTS

Section A: Building and Fixed Equipment.

1. The party holding the lease (the lessor) must be identified and must not be related to the provider through common ownership and/or control.
2. If the provider pays real estate taxes in addition to the rental amount, the real estate taxes on the property are shown on Schedule A, Line 136.
3. Enter the beginning and ending dates of the current rental agreement.
4. Enter the required rental expense for the next three (3) years.

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Any lease that falls within the guidelines issued by the American Institute of Certified Public Accountants for a capital lease, must be capitalized and recorded on SFD 6, Section B.

Section B: Moveable Equipment Rental. (Excluding Motor Vehicles)

Complete Questions 5 through 6 for each lease or rental agreement that meets these criteria:

- 1) The agreement is with a non-related party.
- 2) The rented/leased equipment would have been capitalized if it had been purchased.

If rent is paid to a related party, the rented equipment must be included on SFD 6, Part 2, Sections C and D.

Minor equipment rent is not included here, but in equipment rental expense on Schedule A, line 145.

Where the provider is renting a major equipment system, (a telephone system, paging system, laundry equipment, etc.) a signed and dated copy of the rental contract must be submitted with the cost report for the first reporting period during which the contract takes effect.

Section C: Motor Vehicle Rent

Enter the requested information for rented or leased vehicles on lines 1 through 5, columns 1 through 5, for all motor vehicles for which lease or rental expense is paid by the provider.

Page 16: SFD 9: STATEMENT of COMPENSATION to OWNERS, OFFICERS, DIRECTORS, TRUSTEES

Owners include sole proprietors, partners and stockholders and their relatives.

Compensation includes all amounts received, monetary or otherwise, including salaries, director's fees, management fees, other payment for services, pension, insurance benefits, bonuses, distributions, withdrawals, use of a vehicle, etc.

Column 1:

Enter the names of individuals having an ownership interest in the provider and the names of their immediate relatives who received payment of any type from the provider during the report period.

Column 2 and Column 3:

For each individual listed, enter his/her title and function.

Column 4:

Enter the percent of the ownership the individual has in the provider's operations.

Column 5:

Enter the average weekly hours the individual devoted to the provider's business during the report period and the percent of the individual's total work week these hours represent. An average number of hours must be entered (a statement such as "various" or "as needed" will not be accepted).

Column 6:

Enter the type and amount of compensation. The amount to be included for vehicles, meals and entertainment would be the amount considered additional compensation for tax reporting purposes.

Pages 17 - 18: SFD 10: STATEMENT of REVENUES

All providers must complete the Statement of Revenues for the reporting period.

Any revenue that does not correspond to the indicated line items must be entered and identified on one of the blank lines. Lines 1 through 72 must include all revenue of the provider.

The **Total** column is for reporting gross revenues.

The **second column** is for reporting any **Contractual Allowances**.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

The **last column, Net**, is the Total column (gross revenue) minus the Contractual Allowances.

Payor class for Special Services Revenues

The payor class for special service revenues booked for a resident is that resident's payor class for room and board.

For example, if a resident is included in the Medicaid payor class for room and board, the special service revenues for this resident are Medicaid revenues, whether or not Medicare Part B is billed for any services provided for this resident.

Page 18: Other Operating Revenue and Non-operating Revenue

Because contractual allowances do not apply to the types of revenue included on these lines, the total revenue may be directly entered into the **Net** column (the first two columns may be left blank).

Any income reported here must be offset against expenses unless one of the following conditions are met:

- 1) The costs related to the income have been removed on SFD 2. V.D.R.S.R. §4.29.
- 2) The income is specifically exempted from offset in V.D.R.S.R. and/or HCFA 15.

All interest and investment income (lines 60-65) on funds must be offset against interest expense on SFD 2, line 34, except interest on donated funds and funds that are designated by the board of directors or trustees for funded depreciation. Copies of board minutes that document the designation of funds as funded depreciation accounts must be available to the Division upon request.

Page 19: SFD 11: STATEMENT of CHANGES inFUNDED DEPRECIATION

This schedule must be completed by providers who designate invested funds as funded depreciation.

This schedule reconciles the beginning balance of the funded depreciation account to the ending balance.

Line 1: Beginning Balance

The beginning balance must agree with the ending balance of the previous year.

Lines 2 and 3: Investment income

Enter all investment income earned and deposited in the fund during the cost reporting period. Investment income includes **interest, dividends**, and net **realized gains or losses** on marketable security transactions. Any interest income resulting from an inter-fund loan must be shown separately on line 3.

Line 4: Monthly deposits

Identify the total of all deposits made for the reporting period.

Lines 5 - 7: Other

Enter the dates, the amounts, and the nature of any deposits other than those identified on lines 2 through 4.

Line 8: Asset purchases

Enter the total withdrawals from funded depreciation for the purchase of assets. Attach a detailed list of the assets, indicating the cost of each asset and the date of acquisition.

Line 9: Mortgage or bond principal payments

Enter, in total, mortgage principal and bond payments made from the fund. This total includes only actual disbursements from the fund during the reporting period, regardless of the date a payment was due (cash basis, not accrual).

Line 10: Loan receivable

Enter the balance of each individual loan and the dates and purposes of the withdrawals.

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Lines 11 - 13: Other

Enter all withdrawals of a non-capital nature not included on line 10. Investments of funds that will not be available for the purchase of assets or repayment of property-related debt must be included here. The dates, the total, and the purpose of each withdrawal must be identified.

If there are any entries on lines 10 through 13, a more detailed list of deposits is required to meet the requirements of HCFA 15, §226. On a separate schedule, identify the date, amount and source for each individual deposit made to the fund during the period beginning six months **before** the first withdrawal included in lines 10-13 and ending with the last day of the cost reporting period. Examples of the source of a deposit include donations or fund drive, operations or repayment of part or all of a working capital loan made to the general fund.

Pages 20 - 24: SFD 12: STAFFING PATTERNS

SFD 12 pertains only to employees of the provider. Amounts paid for consultants and contracted personal services are reported on SFD 13.

Column 1: Regular Hourly Rate

Calculate the average regular hourly rate by dividing the wages in Column 7 by the hours in Column 4.

Column 2: Regular Hours

Enter total regular ("straight" time) hours paid for all employees in each job description.

Column 3: Overtime Hours

Enter the total hours worked at overtime compensation rates by all employees in each job description.

Column 4: Total Hours

Enter the sum of Columns 2 and 3.

Column 5: Regular Wages/Salaries

Enter all straight time salaries and wages, paid and accrued, for all employees in each job description. Include paid time off compensated at regular rates.

Column 6: Overtime Wages/Salaries

Enter all overtime salaries and wages paid and accrued for all employees in each job description.

Column 7: Total Wages/Salaries

Enter the sum of Columns 5 and 6.

If the total compensation reported here for a cost category does not equal the amount reported in schedule A, Column 3, attach a schedule reconciling the difference(s).

Column 8: Full-Time Equivalents

Divide the Total Hours in Column 4 by 2080 hours.

Page 25: SFD 13: CONSULTANTS and CONTRACT NURSES

Section A: Consultants

Enter the hours and cost for each consultant. Blank lines are provided for entering amounts for consultants not listed.

Section B: Contract Nurses

Complete columns 1 through 3 for all professional nursing staff hired through temporary help agencies ("nursing pools").

Page 26: SFD 14: NON-SALARY PLANT COSTS

List all the items or services with a cost of \$500 or more that were included in the amount reported on Schedule A, Line 102. Enter a brief explanation of the purpose of the expense (plumbing repairs, snow removal, etc.)

Pages 26 - 27: SFDs 15, 16, 17 and 18:

These schedules provide detail for amounts entered in the balance sheet accounts on Schedule B, pages CR16 and CR17.

INSTRUCTIONS FOR SUPPORTING FINANCIAL DOCUMENTATION (SFDs)

Page 26: SFD 15: SUBSCHEDULE for ASSETS

Identify each account (by name and amount) that is included in the amounts reported on page CR16, Schedule B, Column 2, lines 8 and 9, "Prepaid Expenses" and Other Current Assets".

Page 26: SFD 16: OTHER CURRENT LIABILITIES

Identify each account (by name and amount) that is included in the amount reported on page CR17, Schedule B, Column 2, line 46, "Other Current Liabilities". Include all accrued expenses. The total of the amounts listed here must equal the amount on page CR17, Schedule B, Column 2, line 46.

Page 27: SFD 17: SUBSCHEDULE FOR CASH

For all cash accounts in existence during the reporting period, enter the sum of the cash balances at the end of each month and the interest income earned on these accounts during each month of the reporting period. The balance for the last month entered here must agree with the amount reported on page CR16, Schedule B, Column 2, line 1.

Page 27: SFD 18: SUBSCHEDULE FOR TEMPORARY INVESTMENTS

For all temporary investments in existence during the reporting period, enter the sum of the balances at the end of each month and the interest income earned on these investments during each month of the reporting period. The balance for the last month entered here must agree with the amount reported on page CR16, Schedule B, Column 2, line 2.

Page 28: SFD 19: SUBSCHEDULE FOR COST INCREASES or DECREASES OF 10% OR MORE

This schedule has to be completed by the provider for each cost center with allowable costs in the current reporting period that increased or decreased by 10% or more compared with allowable costs in the prior period.

Enter a brief explanation for the increase/decrease for the cost center listed in the first column. For example, an explanation for utility cost increases may be "electric rates increased"; for laundry, "switched from

disposable diapers". If additional space is needed for a more lengthy explanation, enter it at the bottom of the schedule, on the reverse side of this page or attach an explanation sheet.

Page 29: SFD 20: QUESTIONNAIRE

Answer all parts of questions (1) through (7) by checking the appropriate boxes and write in the answer to question (8).

If your response to questions (1), (4)a., (4)b., (4)c., (4)d., (4)e. and/or (5) is "no", you must provide the additional information requested.

If your response to questions (2) and/or (3) is "yes", you must provide the additional information requested.

Failure to complete the questionnaire will result in rejection of the entire report.

