

ADULT DAY HEALTH CARE COST REPORT GENERAL INSTRUCTIONS FOR COMPLETING COST REPORT FORMS

General

In accordance with California Welfare and Institutions Code (W&I), Section 14575 each Adult Day Health Care (ADHC) provider shall submit cost reports (previously known as the Annual Cost Report) to the California Department of Health Care Services (Department) no later than 150 days after the last day of the provider's (ADHC center) fiscal period. A cost report is required for each licensed ADHC center.

Each ADHC center shall maintain fiscal and statistical records for the period covered by the Cost Report. All records must be accurate and sufficiently detailed to substantiate the cost report data. The records must be maintained for a period of three years following the submission of the Cost Report.

The ADHC provider shall maintain financial records on an accrual basis as required with California Code of Regulations (CCR), Title 22 Division 3, Chapter 5, Section 54413.

Reporting Requirements

All costs reported shall be in accordance with the following:

1. Medicare cost reimbursement principles in 42 Code of Federal Regulations (CFR), Part 413 and Section 1861 of the Federal Social Security Act (42 USC, Section 1395x).

42 CFR and the governing statute in the Federal Social Security Act outlines the manner in which allowable costs are considered reasonable, necessary, and related to beneficiary health care.

2. These cost principles are reiterated in the Centers for Medicare and Medicaid Services, Provider Reimbursement Manual 15-1 (CMS Pub. 15-1).

This manual is online at <http://www.cms.hhs.gov/manuals/pbm> (CMS website). Upon entering this site, select Publication 15-1 and the relevant cost reimbursement chapters will be displayed. Within each chapter, the section numbers may appear out of sequence. Select the file containing the reference "TOC" to display the table of contents of the relevant sections within the chapter.

3. All items of data and cost reported are subject to audit by the Department pursuant to W&I, Section 14170.

The text of this section is online at <http://leginfo.ca.gov> under the tab entitled "California Law." Such audits will be conducted to determine the extent that reported costs complies with the cost principles outlined in CMS Pub. 15-1. Reported costs that do not comply with these provisions may be adjusted accordingly.

NOTE: If Audited Financial Statements for the same reporting period as the cost report are available, please include a copy with the Cost Report. Audited financial statements are beneficial as they provide a measure of validation of cost report data. This helps to expedite the review process.

Home Office Requirements

ADHC centers that are part of a chain organization may be required to file a Home Office Cost Report (HOOCR) in addition to individual ADHC cost reports depending on the organizational structure and reporting relationships of the chain. This is discussed in more detail later in the instructions.

Filing Deadline

Cost reports are due no later than 150 days after the last day of the ADHC center's fiscal period. A request for an extension shall only be approved when an ADHC provider's operations are significantly and/or adversely affected due to extraordinary circumstances, which the provider has no control, such as, flood or fire. The written request must include a detailed explanation of the circumstances supporting the need for additional time and be postmarked within 150 days after the last day of the ADHC center's fiscal period. Filing extensions may be granted by the Department for good cause, but such extensions are made at the discretion of the Department.

If the cost report is not received by original due date or an approved extension date, the ADHC shall be subject to sanctioning in accordance with CCR, Title 22, Division 3, Chapter 5, Section 54447. Pursuant to this Section, the Department shall reimburse those ADHC centers at 10 percent below the lowest reimbursement limit established in the ADHC center's peer group until an acceptable cost report is received by the Department.

One signed original and one copy of the Cost Report are to be submitted to the following address:

Department of Health Care Services
Audits and Investigations
Financial Audits Branch
Audit Review and Analysis Section
1500 Capitol Avenue, 6th Floor, MS 2109
P.O. Box 997413
Sacramento, CA 95899-7413

Electronic Submission of Annual Cost Reports – e-mail the electronic file to adhccr@dhcs.ca.gov. Please note that this e-mail address is for Cost Report Submission only!

An approved application must be on file with DHCS in order to file Annual Cost Reports electronically. If you do not have an approved "Application and Agreement for Electronic Submission of Annual Cost Reports" on file with DHCS, please visit our website <http://www.dhcs.ca.gov/individuals/Pages/AdultDayHealthCare.aspx>.

SECTIONS AT A GLANCE

General Information and Certification

- Section A: Services Available
- Section B: Licensee Description
- Section C: ADHC Center Census
- Section D: Separately Billable Services Utilization
- Section E: Statement of Related Organizations
- Section F: Statement of Compensation to Owners (For Profit Only)
- Section G: Revenue Information
- Section H: Summary of Costs
- Section I: Allocation of Separately Billable Services Cost
- Section J-1: Reclassification of Expenses
- Section J-2: Adjustments to Expenses
- Section K: Allocation of Administrative Overhead
- Section L: Determination of Average Cost Per Unit of Service

LAWS AND REGULATIONS AT A GLANCE

Federal and State Regulations – ADHC Cost Reporting Requirements:

- W&I Section 14575 – Submission of Cost Reports.
- W&I Section 14170 – Department authority to audit.
- CCR, Title 22 Division 3, Chapter 5, Section 54413 – Maintain financial records on accrual basis.
- CCR, Title 22 Division 3, Chapter 5, Section 54447 – Sanctions applied if the Cost Report is not received by Report has not filed.
- 42 CFR, Part 413 - Principles of reasonable cost.
- CMS Pub. 15-1, Section 2150 – Chain organization consists of a group of two or more health care entities
- CMS Pub. 15-II, Section 3903 – Home office costs are not allowed on provider’s cost report if a Home Office Cost Report has not filed.

GENERAL INFORMATION AND CERTIFICATION

Complete items 1–19. The individual signing the certification statement must be an Officer or Administrator. The Cost Report must be legibly completed and the original signed in **blue ink**. Cost reports received that are not clear, legible, or have been altered, or are incomplete, and/or not signed will be rejected and returned with instructions noting the deficiencies in need of correction. Cost report’s that are not accepted by the required filing deadline due to improper completion shall be rejected and the Department may subject the ADHC to the sanction provisions noted under “Filing Deadline.”

(The Health Insurance and Portability and Accountability Act of 1996 (HIPAA) required the Federal Government to implement a National Provider Identifier “NPI” classification system. Enter your NPI number into Box 2.)

SECTION A – SERVICES AVAILABLE

1. Did you provide any of the Separately Billable Services for the Cost Report period? This box has a drop down arrow that will allow you to highlight “Yes” or “No”.
2. Does the ADHC center provide enhanced program services? Enhanced program services are defined as any services provided at the ADHC center beyond the standard licensed Medi-Cal program services (such as Adult Day Care Food Program, Alzheimer’s Daycare that is licensed separately from the ADHC, etc). This box has a drop down arrow that will allow you to highlight “Yes” or “No”.

Check each Separately Billable Service and Non-ADHC/Enhanced Program Service that applies to the center.

SECTION B – LICENSEE DESCRIPTION

Check the appropriate column indicating the type of control and, if applicable, the type of legal organization that controls the ADHC center.

NOTE: Yellow highlighted areas in Sections C through L indicate data will automatically calculate. No need for manual input.

SECTION C – ADHC CENTER CENSUS

1. Licensed Capacity – enter total number of participants allowed daily at the ADHC center based on your license.
2. Days of Operation – enter the total number of days the ADHC center was open to provide services during the reporting year.

3. This line is intentionally blank.
4. Participant Days – enter the total number of Participant Days for Medi-Cal and Non Medi-Cal, whether paid or unpaid. Participants with Medi-Cal Share of Cost should be included in the Medi-Cal Days. A Participant Day is defined as services provided for a minimum of four (4) hours per day excluding transportation, for all participants. NOTE: Include assessment days and transition days.
5. Participant Initial Assessment Days - enter the total number of initial assessment days used to determine eligibility for ADHC center services. **This information is required for future rate-setting purposes.**
6. Average Daily Attendance (ADA) - calculated by dividing the total participant days of attendance in Column 3, Line 4 by the total Days of Operation in Column 3, Line 2.

For example: 6,000 total participant days divided by 240 days of ADHC center operation = 25 ADA
7. Percent Medi-Cal Participant Days - calculated by dividing Medi-Cal participant days (Column 1, Line 4) by total participant days (Column 3, Line 4).

SECTION D – SEPARATELY BILLABLE SERVICES UTILIZATION

Total Unit of Services – enter the total units of each service provided to participants who received Separately Billable Services at the ADHC center for the reporting period.

SECTION E – STATEMENT OF RELATED ORGANIZATIONS

1. Is the ADHC center part of a chain organization? Use the drop down arrow to highlight “Yes” or “No.”
2. If yes to Question 1, did the ADHC center file a HOCR for the reporting period? Use the drop down arrow to highlight “Yes” or “No.”
3. Enter the name of the home office or related organization and the percent of ownership in the appropriate boxes.

Home Office: The home office of a chain organization is not typically a provider in itself, therefore, the costs incurs may not be directly reimbursed by the Medi-Cal Program.

A chain organization consists of a group of two or more health care entities, which are owned, leased, or through any other device, controlled by one organization (CMS Pub.15-1, Section 2150). A chain organization may include more than one type of health care related entity in addition to the ADHC program. An example would be one organization that directly operates four ADHC sites. Another example would be an organization that operates one ADHC center, a PACE program and a Multi-Purpose Senior Services Program.

The relationship of the home office to the Medi-Cal Program is that of a related organization to a participating ADHC provider(s). Home offices usually furnish central management and administrative services such as centralized accounting, purchasing, payroll, personnel services, management direction and control, and other services. The home office cost for services provided to the ADHC center will be reimbursed through each ADHC center’s individual cost report based on allocations (both direct and indirect) via a HOCR.

In some instances, an ADHC center that is part of a chain organization may function as the home office by providing administrative or shared services to the other entities within the chain organization. The ADHC center will most likely incur costs (direct or indirect) pertaining to the other entities in the chain. In such cases, an HOCR shall be completed to identify the allocation of direct or shared costs to the other entities within the organization. The main ADHC center must be included in the HOCR as one of the ADHC centers receiving an allocation of cost.

The HOCR will calculate any applicable home office cost and allocate the cost to the individual ADHC centers and any other entities in the organization. The costs of the subject ADHC center will include the direct costs of that particular facility as well as any applicable allocated home office costs. The combination of these costs will be transferred to the cost report Section H, Column 8, Line 27. If an HOCR is not filed, the ADHC center will not be allowed to claim any home office costs on their respective cost reports (CMS Pub. 15-II, Section 3903).

NOTE: If you did not receive an HOCR, or not sure, if you need to file an HOCR, please contact Audit Review and Analysis Section at (916) 650-6696. The HOCR will contain detailed instructions regarding home office cost allocations.

Shared Services - Some ADHC centers may share the cost of services; however, they do not necessarily fall under the term “chain organization.” Examples of shared services include, but are not limited to, housekeeping, landscaping, and dietary.

Unrelated ADHC centers that engage in shared services will be required to submit documentation that identifies the method of allocating cost between the ADHC centers involved. An allocation sample is shown in Appendix A of these instructions. In order to minimize any confusion, it is recommended that unrelated ADHC centers sharing services submit the same allocation worksheet. Supporting documentation shall also be maintained, at the facility level, to identify how the costs of such shared services are allocated to the each of the ADHC centers involved.

SECTION F – STATEMENT OF COMPENSATION TO OWNERS (For Profit Only)

Complete this section only if the ADHC center is a for profit entity, as indicated in Section B “Licensee Description”.

Enter the name(s) of the owner(s), their title and function if employed by the organization, percent of ownership, average number of hours worked per week, and compensation paid for the current fiscal year and for the prior fiscal period. Compensation will typically include:

- Salaries and wages that are typically paid on a routine basis and, in most cases, would agree with amounts reported on W-2 Wage statements.
- Related fringe benefits (health insurance, pension, life insurance).
- Allowances (housing, auto, personal insurance, travel, tuition or other assets provided by the ADHC center for personal use).
- Bonuses

SECTION G – REVENUE INFORMATION

This section lists sources of revenue:

Column 1: Gross Revenue - enter the gross revenue the ADHC center received by each program source.

- Gross revenue is defined as the amount the ADHC center would receive if all participants paid for services at the usual and customary charge for the services. For example, if the usual and customary charge on the ADHC center's fee schedule is \$80 per day and the ADHC center had 100 Medi-Cal participant days, the gross revenue should be reflected on the general ledger as \$8,000.

NOTE: Gross revenue will be higher or equal to the actual amount billed to the Department for Medi-Cal participants depending on the ADHC center's daily charge. Gross revenue for Medi-Cal includes billing for Medi-Cal assessment days as well as regular days of service.

Column 2: Deductions or Allowances - enter any deductions or contractual allowances to the appropriate gross revenue.

- **Charitable allowances (including scholarships)** are usually made as a result of a sliding fee schedule or the performance of charitable services and are classified as adjustments in the ADHC center's accounting records. For example, a sliding fee schedule and a financial needs assessment shows that a private pay participant can only pay \$30 per participant day and the ADHC center's usual and customary charge for services is \$80. In this case, \$80 times the number of private days is entered in the general ledger as gross revenue and the \$50 difference times the number of private paid days is entered as a contra-revenue in the general ledger.
- **Contractual allowances or administrative adjustments** are the routine differences between amounts billed to third-party payers and the amount actually received. This includes any adjustment for Medi-Cal reimbursement if the Medi-Cal rate is lower than the ADHC center's usual and customary charge. For example, the ADHC center's usual and customary charge per participant day is \$80, but a contract with the Veterans Administration (VA) establishes the rate of pay as \$46. In this case, \$80 times the number of VA participant days would be entered in the general ledger, and the difference of \$34 times the number of VA participant days would be entered as a contractual adjustment in the general ledger.

NOTE: Do not enter Deductions or Allowances as a negative number.

Column 3: Net Revenue - calculated by subtracting Column 2 from Column 1.

SECTION H – SUMMARY OF COSTS

This Section should reflect all costs incurred at the ADHC center.

Column 1: Salaries and Wages – enter employee salaries and wages for the entire cost report period for salaried and hourly staff (include holidays, vacations and sick leave that were paid during the Cost Report reporting period).

Column 2: Fringe Benefits – enter employee benefits such as employer portion of taxes, unemployment insurance costs, and any other employer paid benefits.

Column 3: Contract Staff – enter all costs associated with the provision of ADHC services by contractors.
Note: ADHC employees that provided Separately Billable Services shall be reclassified to the appropriate separately billable ADHC cost centers (Lines 91 through 96, Column 7). Do not separate out costs in this Column. See Section I for details.

Column 4: Total Compensation - the sum of Columns 1 through 3.

Column 5: Other – enter other operating costs not specific to salaries, benefits, or contracted services.

Column 6: Total Costs - sum of Columns 4 and 5.

Column 7: Reclassifications – the reclassification amounts reported on Section J-1, Columns 3 and 6 **must** manually be transferred to this column. Summarize the total reclassification amounts by Cost Report Line Number and enter into this column.

NOTE: Enter reclassifications pertaining to Lines 77 through 85 only on Line 86.

Column 8: Adjustments - the adjustment amounts reported on Section J-2, Column 1 **must** manually be transferred to this column. Summarize the total adjustment amounts by Cost Report Line Number and enter into this column.

Column 9: Net Costs - sum of Columns 6 through 8.

NOTE: Separately Billable Services, Lines 91 through 96, Columns 1 through 6 shall be left blank. Costs associated with Separately Billable Services will be calculated using Sections I and J-I. The calculations in Sections I and J-I will be used to allocate costs to both Core Services and the respective Separately Billable Service based upon supporting documentation.

SECTION I - ALLOCATION OF SEPARATELY BILLABLE SERVICES COST

This Section will identify and distinguish the cost associated with separately billable services provided to participants and the services provided to the ADHC center generally as a component of the “core services” (as defined in SB 1755 – Chapter 501, Statutes of 2006). The ADHC center is not required to begin billing for Separately Billable Services until the cost study and rate methodology work is complete. Implementation of the Separately Billable Services is scheduled to occur in the year 2010. However, for purposes of rate setting this data must be currently collected as accurately as possible.

In general, a separately billable service shall be identified on the participant’s Individual Plan of Care Box 26 under “Participants Plan of Care Specialized Services”. The service shall be provided by a licensed or certified practitioner. These separately billable services include Physical Therapy, Occupational Therapy, Speech Therapy, Registered Dietician Services, Mental Health Services, and Other. Only include services that are actually provided during the participant’s days of attendance.

Section I will allocate cost between the Separately Billable Services and the Core Services based on the amount of time devoted to these respective areas. The ADHC center should maintain accurate data of time devoted to the provision of Separately Billable Services to support the allocation.

- Column 1: Total Hours/Trips - report the total number of all hours worked at the ADHC center, which would include the time spent on both direct participant services and services open to the all participants at the ADHC center.
- Column 2: Separately Billable Hours/Trips - enter the number of hours/trips identified as Separately Billable Services on the weekly time sheets and summary report. These amounts must agree to the supporting documentation (i.e. logs, summary reports, etc)
- Column 3: Separately Billable Percentage - calculated by dividing separately billable hours/trips (Column 2) by the total hours (Column 1).
- Column 4: Total Compensation – these amounts will be automatically transferred from the respective lines in Section H, Column 4.
- Column 5: Separately Billable Compensation - computed by multiplying Column 3 by Column 4.
NOTE: The reclassification pertaining to separately billable transportation services will be made from Cost Report Line 91 to Line 96, Column 7. No individual breakout for the individual services is required.

SECTION J-1 – RECLASSIFICATIONS OF EXPENSES

Reclassifications: A reclassification of expense is an entry that transfers costs from one cost center to another. Reclassifications will be necessary when an expense has been improperly classified. For example, building depreciation may have been included in an administrative account and needs to be transferred (reclassified) to an ADHC center Capital Related Cost category.

An explanation must be included for each reclassification in the column labeled “Explanation of Entry.” In addition, as noted above, this Section is used to reflect the separation of costs between Core and Separately Billable Services (as computed in **Section I** above).

NOTE: Line 35, the total of the reclassifications increase and decrease must equal zero.

Reclassification amounts from Section J-1 must be manually summarized and entered on Section H, Column 7.

SECTION J-2 – ADJUSTMENTS TO EXPENSES

Adjustments: An adjustment is an entry to adjust expenses. For example, in general, the cost of fund-raising activities is not a reimbursable expense under the CMS Pub.15-1. Therefore, remove any costs associated with fund-raising, which are included in your general ledger expenses, through an adjustment in Section J-2. In addition, any revenues received for such items as sale of scrap, or salvage, should be used to reduce the related expense. State your adjustment explanations in Column 3.

Use Section J-2 to bring into the Cost Report any expenses not already included in the Cost Report. Transfer these expenses to Section H, Column 8. In addition, use this schedule to include any home office cost as determined from completion of an HOCR that are not already included in Section H. Transfer these home office costs to Section H, Line 27, Column 8.

Adjustment amounts from Section J-2 must be manually summarized and entered on Section H, Column 8.

SECTION K – ALLOCATION OF ADMINISTRATIVE OVERHEAD

This Section will allocate overhead costs to Core Services and Separately Billable Service cost centers. All of the columns will calculate automatically.

SECTION L – DETERMINATION OF AVERAGE COST PER UNIT OF SERVICE

This Section will calculate the cost per unit of service for both Core Services and Separately Billable Services. All figures used in the calculations flow from other areas of the Cost Report into this Section. No manual input is required.

APPENDIX A

Facility Name	M'Cal Provider No.	Housekeeping Costs		Landscaping Costs	
		Sq Ft	Allocated Costs	Hours of Service	Allocated Costs
Facility A	ADU111111	8,500	\$ 24,887	3,200	\$ 28,916
Facility B	ADU222222	6,500	19,032	2,400	21,687
Facility C	ADU333333	-	-	2,700	24,398
Facility D	ADU444444	7,200	21,081	-	-
Totals		<u>22,200</u>	<u>\$ 65,000</u>	<u>8,300</u>	<u>\$ 75,000</u>