**Instructions for Completing Home Office Cost Report**

**FREESTANDING**

**FEDERALLY QUALIFIED HEALTH CENTER (FQHC) / RURAL HEALTH CLINIC (RHC)**

**prospective payment system**

**rate setting / change in scope-of-service request**

**(6 or more facilities)**

Home Office is achain organization consisting of two or more facilities which are owned, leased, or by some devise, controlled by one organization. A chain organization may include more than one type of program in addition to the FQHC/RHC program, i.e., day program, medical office buildings, managed care, workshops, etc.

The home office of a chain organization may not be a provider of health care services. The relationship of the home office to the FQHC/RHC clinics is that of a related organization to a participating provider. Home offices usually furnish central management and administrative services such as centralized accounting, purchasing, payroll, personnel services, management direction and control, and other services.

A home office need not be a separate established entity from the FQHC or RHC. Home Office type functions done for more than one clinic may be centralized in one, main clinic. In these cases, the cost of these shared functions need to be allocated to all of the clinics or other entities in the organization that benefit from these services. In addition, direct costs incurred by the main clinic or other entities and are identifiable to one or more specific clinics or entities must be directly allocated to those clinics or entities.

To the extent the home office furnishes services to a facility related to health care, the reasonable costs of such services are included in the facility's cost report. Where the home office provides services not related to patient care, these costs may not be recognized as allowable costs of the FQHC/RHC clinic. For example, certain advertising costs, some franchise taxes, costs of noncompetitive agreements, certain life insurance premiums, certain membership costs, or those costs related to nonmedical enterprises are not considered allowable home office costs.

Refer to the Provider Reimbursement Manual (CMS Publication 15-1 Sections 2150.1–2150.3) for guidelines.

## Cover Sheet

Home office name and the fiscal period of the cost report will automatically populate based on information entered on Schedule 1B.

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## Schedule 1A—General Information and Certification

**Part I—General Information**

Enter the name of the home office. If there was a change in name during the reporting period, indicate the former name in parenthesis; enter the telephone number of the home office, including area code; enter the street address of the home office, including the city, state and ZIP code.

Enter the period covered by the cost report. A change in the reporting period must be requested in writing and can be made only after an approval by the Department of Health Care Services (Department), Audit Review and Analysis Section (ARAS) which establishes that the reason for a change is valid. Should there be a change in the cost reporting period as a result of a change of ownership, then the fiscal period of the Home Office Cost Report should be consistent with the clinics/facilities being reported.

Enter the name, title, email address and telephone number of the cost report preparer and/or contact person. Department representatives may contact this individual regarding information contained in the cost report.

Check the type of organization applicable to the home office. If you are a county/city government entity, the Home Office Cost Report is not applicable.

Enter the names of related parties and owners. Then enter the governing board officers and members, their compensation as board and committee members and occupation. If more space is required, attach an additional listing immediately after this schedule.

Enter the name, title and function of owners and relatives. Then enter the percent of ownership interest, average hours per work week devoted to business, and the compensation.

**Part II—Certification by Officer of the Home Office**

This certification statement must be completed on all FQHC/RHC Home Office Cost Reports submitted. Any cost report filed without a completed certification statement will be rejected.

The certification statement should be read carefully and must be signed by either the administrator, controller, corporate officer, or member of the board of directors. The official signing the report must have the legal capacity to make commitments for the organization.

Follow the e-file Medi-Cal Worksheets Submission Protocol for submission of the FQHC/RHC Home Offices, include audited financial statements with accompanying notes, a trial balance of the home office general ledger and cost report working papers. Submit the e-file cost report to applicable inbox below depending on the whether the home office cost report is being filed in conjunction with a Rate Setting or a Change in Scope-of-Service Request. For example if the home office cost report is being filed for a CSOSR, it should be submitted to [ChangeInScope@dhcs.ca.gov](mailto:ChangeInScope@dhcs.ca.gov). You will receive an email response.

* [Ratesetting.Clinics@dhcs.ca.gov](mailto:Ratesetting.Clinics@dhcs.ca.gov)
* [ChangeInScope@dhcs.ca.gov](mailto:ChangeInScope@dhcs.ca.gov)

Documents must be complete. Cost reports will be returned if not completed in accordance with these instructions.

For questions or assistance in completing these forms, please contact ARAS at (916) 322-1681 or [Clinics@dhcs.ca.gov](mailto:Clinics@dhcs.ca.gov).

## SCHEDULE 1B—Chain Component Information

Enter the home office name and the fiscal period of the cost report and this will carry forward to all the schedules.

**Part I—Listing of Chain Health Care Facility Components**

Column 1 Designates the clinics as “A,” “B,” “C,” etc. They will be referred to on subsequent schedules accordingly, i.e., “A,” “B,” “C,” etc. ***(If there are less than 6 clinics use the Home Office Cost Report – 6 or Less – DHCS 3089)***

Column 2 Enter the names of the clinics that are related to, controlled, or owned by the home office.

Column 3 Enter the street address, city, and ZIP code of each of the clinics.

Column 4 Enter the telephone number of each of the clinics including area code.

Column 5 Enter the FQHC/RHC Medi-Cal NPI number of each clinic.

Column 6 Enter the last day of the fiscal period ended for each clinic that is covered by this Home Office Cost Report.

Column 7 Enter the date each clinic became an FQHC/RHC:

* The waiver letter from Health Resources and Services Administration (HRSA) granting "look alike" status or the approval of the annual “look alike” recertification from Public Health Care Services (PHS).
* The date of the application to the Department of Health Care Services for FQHC/RHC status (applicable to clinics that have an FQHC/RHC qualifying grant from PHS under Sections 329, 330, or 340 of the PHS Act.)
* The date of the application to the Department of Health Care Services for FQHC/RHC status for outpatient health facilities operated by a tribe or tribal organization under the Indian Self-Determination Act (PL 93-638).

Column 8 Enter the clinic license number**.**

Column 9 Enter the date the clinic license was issued.

**Part II—Listing of Other Chain Components**

List the non-health care programs/components/entities and/or nonreimbursable activity that benefit from the home office services. Examples are laboratory, pharmacy, property owned and rented to third parties, medical office buildings, residential care facility, skilled nursing facility, vacant land for expansion, etc.

List the names, addresses, telephone number and other information as applicable.

Refer to the Provider Reimbursement Manual (CMS Publication 15-1 Sections 2150.1–2150.3) for guidelines.

## SCHEDULES 2A & 2B — Statement of Total Home Office Costs

This schedule provides a determination of the reimbursable home office costs and detailed analysis those costs divided into the categories of health care costs, facility costs, administrative costs and nonreimbursable costs.

Column 1 Cost Center descriptions are pre-defined. These are the categories of expenses and accounts typically found at a home office, however additional may be added as necessary.

Column 2 Enter the home office shared expenses as shown in the home office trial balance/general ledger. Use audited data if available; if unaudited figures are used, prepare and maintain working papers to support all reported amounts.

Column 3 Adjustments/Reclassifications: Enter the adjustments or reclassifications from Schedule 3 which pertains to specific expenses listed on Schedules 2A and 2B. If two or more adjustments are made to the same expense, the net adjustment must be transferred to Schedule 2A or 2B. Note that line 45, column 3 of Schedule 2B must agree with the total of Schedule 3, column 3.

Column 4 Allowable Expenses: The net amounts of columns 2 and 3.

Column 5 Direct Allocations: The direct allocation to the clinics and other non-health care components including nonreimbursable activity should be detailed on Schedules 4A through Schedule 4C. The home office direct allocation of health care costs comes from column 2, Schedule 4A, direction allocation of facility costs comes from column 2, Schedule 4B and direct allocation of administrative costs comes from column 2, Schedule 4C.

Column 6 Pooled Costs: The pooled costs are computed by subtracting column 5 from column 4. These costs are allocated to clinics and other non-health care components including nonreimbursable activity on Schedule 5.

## SCHEDULE 3 — Adjustments to Expenses

This schedule provides detail of adjustments/reclassifications affecting home office costs.

Column 1 Expense descriptions are pre-defined. Enter any additional expense descriptions in this column as necessary.

Column 2 *Basis of Adjustment:* Indicate the basis for each adjustment. Use a letter **“A”** if it is a cost adjustment. Use a letter **“B”** if it is a revenue abatement where related costs are unknown or the amounts immaterial. Therefore, revenue received may be used to offset the related expenses. It is recommended that all adjustments be made on the basis of costs rather than revenue abatement. Refer to CMS 15-1, Section 2150.2 for identification of adjustments that should be made. Working papers supporting each adjustment calculation should be included in the cost report working papers and submitted to the Department for review along with the cost report.

Column 3 *Amount:* Enter the amount of each adjustment or reclassification**.** Total of line 20 must agree with line 45 of Schedule 2B, column 3.

Column 4 *Line Number:* For each adjustment, indicate the line number of the cost center on Schedule 2A or 2B that will be adjusted or reclassified.

Column 5 *Cost Centers to be Adjusted:* For each adjustment/reclassification, indicate the cost center description on Schedules 2A or 2B that will be adjusted or reclassified.

When an adjustment or reclassification affects two or more expense accounts, each separate distribution must be indicated on a separate line of Schedule 3 and then netted and transferred to Schedule 2A or 2B.

## SCHEDULES 4A TO 4C — Direct Allocation of Costs to Clinics / Component

The initial step in the allocation of home office costs to components in the chain is the direct assignment of costs per CMS Pub. 15-1, Section 2150.3B.

The purpose of this Schedule is to identify all of the home office expenses that are identified as directly allocable to a specific clinic and other non-health care components including nonreimbursable activity. Since these expenses are incurred on behalf of a specific facility and/or nonreimbursable activity, they must be directly assigned to it. If no expenses are directly allocable then Schedules 4A, 4B and 4C should be marked N/A (not applicable).

An example of costs incurred for the benefit of, or directly attributable to a specific clinic or nonreimbursable activity is where a home office has paid the interest expense on a facility loan. This interest expense must be directly assigned to the facility for which the loan was made. Likewise, salaries would be directly assigned to the facility to whose employees they apply.

**Schedule 4A** The purpose of the schedule is to identify **Health Care Costs** that are directly identifiable to a specific clinic and other non-health care components and/or nonreimbursable activity.

**Schedule 4B** The purpose of the schedule is to identify **Facility Costs** that are directly identifiable to a specific clinic and other non-health care components and/or nonreimbursable activity.

**Schedule 4C** The purpose of the schedule is to identify **Administrative Care Costs** that are directly identifiable to a specific clinic and other non-health care components and/or nonreimbursable activity.

Enter the following information for each of schedules 4A – 4C:

Column 1 Cost center descriptions are pre-defined. Enter any additional cost center descriptions in this column as necessary.

Columns A–U These letters should correspond to the clinic names shown on Schedule 1B, Part 1, column 1. Enter the amounts of direct expense to each clinic or facility into the proper column. Attach supporting working papers to explain the allocations made in each category.

Column V Enter the amounts of direct expenses related to other non-health care components and/or nonreimbursable activity. Attach supporting working papers to explain the allocations made in each category.

Column 2 This column is the total for columns A–V for each of the cost center descriptions. These amounts are transferred Schedule 2A and 2B, column 5 to the appropriate cost centers.

## SCHEDULE 5 —Allocation of Pooled Costs

The purpose of this schedule is to allocate pooled costs to clinics and other non-health care components and/or nonreimbursable activity.

In each home office there will be a residual amount remaining, or “pooled” costs incurred for general management or administrative services after the direct assignment of home office cost that should be allocated on an equitable allocation basis to all clinics and other non-health care components including nonreimbursable activities based on accumulated (total) costs per CMS Pub 15-1, Section 2150.3D. It is presumed that prior to the completion of this Schedule, all expenses that can be directly assigned were identified and assigned to the appropriate components and nonreimbursable activities on Schedules 4A, 4B, and 4C.

The clinics which are to receive an allocation of home office costs are shown as “A,” “B,” “C,” etc. across the top of the columns. Again, these letters must coincide with the order shown for the clinics on Schedule 1B, Part 1.

Column 1 Represents the category of costs: health care costs, facility costs, and administrative costs.

Column 2 The total pooled costs for each category flow from Schedule 2A and 2B, column 6 for health care costs (line 7); for facility costs (line 25); and for administrative costs (line 44).

Columns

3 – 46 Odd Enter the proper statistical basis for the applicable clinics and other non-health care components including nonreimbursable activity for proper allocation of pooled costs. The following are recommended for each category of costs:

**Health Care Costs : Statistical Basis – Medical Staff Salaries**

**Facility Costs: Statistical Basis – Square Footage**

**Administrative Costs: Statistical Basis – Accumulated (Total) Costs**

However, the home office has the option to select a more accurate basis for allocation but must obtain written prior approval from Audits and Investigation, Financial Audits Branch, Audit Review and Analysis Section at the address below:

Department of Health Care Services

Financial Audits Branch

Audit Review and Analysis Section

1500 Capitol Avenue, MS 2190

P.O. Box 997413

Sacramento, CA 95899-7413

Column 46 **Total Allocation Statistics:** Sum of all statistics from **odd** columns 3-46.

Column 47 **Unit Cost Multiplier:**  Computation of the unit cost multiplier for each category is pooled cost in column 2 divided by the total allocation statistics in column 46, this figure carried to six decimal places.

Columns

4 – 46 Even **Allocation of Pooled Expenses:** The unit cost multiplier in column 47 is multiplied by the statistical basis for Columns A through V to arrive the allocated pooled costs for each category. These pooled expenses are transferred to Schedule 6 for each category per clinic.

## SCHEDULE 6 - Summary of Direct and Allocated Pooled Cost

This schedule summarizes the direct and pooled allocation of the home office costs (health care, facility and administrative) to the chain components. These home office costs are transferred to the applicable clinic Worksheets in the appropriate category (health care, facility and administrative) to be included in the PPS rate calculation of each clinic.

Columns A–V These columns denote the components which will receive direct and allocated home office costs.

**Directly Allocable Costs**

Line 1, Health Care Costs for each of the clinics and other non-health care components are transferred from Schedule 4A, line 15, columns A–V.

Line 2 Facility Costs for each of the clinics and other component are transferred from Schedule 4B, line 18, columns A–V.

Line 3 Administrative Costs for each of the clinics and other non-health care components are transferred from Schedule 4B, line 19, columns A–V.

Line 4 Subtotal of lines 1 through 3.

**Pooled Allocated Costs**

Line 5 Health Care Costs for each of the clinic and other non-health care components are transferred from Schedule 5, line 1, columns A–V.

Line 6 Facility Costs for each of the clinic and other non-health care components are transferred from Schedule 5, line 2, columns A–V.

Line 7 Administrative Costs for each of the clinic and other non-health care components are transferred from Schedule 5, line 3, columns A–V.

Line 8 Subtotal of lines 5 through 7.

**Total Costs**

Lines 9 Total of direct and allocated (line 1 + line 5) Health Care Costs for each of the clinics and other non-health care components. The amount for each clinic is transferred to the Clinic Cost Report Worksheet 2A, line 20.

Line 10 Total of direct and allocated (line 2 + line 6) Facility Costs for each of the clinics and other non-health care components. The amount for each clinic is transferred to the Clinic Cost Report Worksheet 2A, line 39.

Line 11 Total of direct and allocated (line 3 + line 7) Administrative Costs for each of the clinics and other non-health care components. The amount for each clinic is transferred to the Clinic Cost Report Worksheet 2B, line 51.

Line 12 Grand Total Costs: This total is the sum of lines 4 and 8 for each of the clinic and other non-health care components.

Column 2 Total each line across.

The total of line 4, column 2, must agree with Schedule 2B, column 5, line 45.

The total of line 8, column 2, must agree with Schedule 2B, column 6, line 45.

The total of line 12, column 2, must agree with Schedule 2B, column 3, line 45.