

# **MEDI-CAL HOME OFFICE COST REPORT INSTRUCTIONS**

## GENERAL INFORMATION

The General Information section consists of Schedule I and is intended to provide the Medi-Cal intermediary with data on the chain home office and the cost report being filed.

### SCHEDULE 1, INFORMATION AND CERTIFICATION

#### Part I. General Information

##### Line 1

Enter the name of the home office. Enter the date when the chain began operations as a chain organization, as defined in the Provider Reimbursement Manual (CMS Pub. 15-1), Section 2150 ff.

##### Line 2

Enter the present address and telephone number of the home office.

##### Line 3

Enter the period covered by the cost report. This will indicate whether a full year or lesser period cost report is submitted.

The date when the cost report was prepared and the name of the preparer must be indicated. The auditors will contact the individual indicated here regarding information contained in this cost report.

##### Line 4

Check the type of organization applicable to the home office.

##### Line 5

Enter the names of key officers of the home office. If more space is required, attach an additional listing immediately after this schedule.

#### Part II. Certification by Officer of the Home Office

This certification statement must be completed on all home office cost reports submitted. Any cost report filed without a completed certification statement will be rejected.

## HOME OFFICE COST REPORT

The Home Office Cost Report consists of Schedules 2 through 9 and is intended to provide the auditors with:

1. A detailed analysis of allowable home office costs (Schedule 2)
2. Medi-Cal adjustments to those costs (Schedule 3)
3. Allocation of the home office costs (Schedules 4 through 7)
4. A statement of revenue and expenses (Schedule 8)
5. A balance sheet statement (Schedule 9)

Please refer to the Provider Reimbursement Manual (CMS Pub. 15-1), Sections 2150.1 through 2150.3 for guidelines.

### SCHEDULE 2, STATEMENT OF ALLOWABLE HOME OFFICE COSTS

Enter the home office name and period covered by the cost report.

Column 1 Enter the home office expenses as shown in the home office records and as indicated in the form. Use audited data if available; if unaudited figures are used, it must be so noted at the bottom of Schedule 2. Line 30 must agree with line 2 of Schedule 8.

Column 2 Enter the adjustments from Schedule 3, Column 1, which pertain to specific expenses listed on Schedule 2. When more than one adjustment is related to the same expense, adjustments must be summarized

and the summarized figure carried over to Schedule 2, Column 2. Note that line 30 must agree with the total of Schedule 3, Column 1.

- Column 3 Enter the balance by addition or subtracting Column 2 from Column 1.
- Column 4 Enter the direct allocations of expenses to chain components from Schedule 4, Page 2, Columns 1–5, line 20. Note that line 30 must agree with line 20 of Schedule 4, Page 2, Column 6.
- Column 5 Enter the direct allocations of expenses to regional offices from Schedule 4, Columns 1–5, line 26. Line 30 should be carried forward to Schedule 5, Page 2, using the appropriate lines for the allocation method chosen (single or double).
- Column 6 Enter the pool allocations by subtracting net of Columns 4 and 5 from Column 3. Line 30 should be carried forward to Schedule 5, page 1.

### **SCHEDULE 3, MEDI-CAL ADJUSTMENTS TO EXPENSES**

**Basis of Adjustment (\*)** Indicate in the Column marked with an asterisk (\*) the basis for each adjustment listed. Use a letter "A" if the basis is costs (nonpatient care related). Use a letter "B" if revenue received is used as a cost recovery of related expenses.

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

Refer to CMS Pub. 15-1, Section 2150.2 and Chapter 10 for identification of adjustments that must be made.

- Column 1 Enter the amount of each adjustment, which is to be made to expenses reported on Schedule 2, Column 1. Note that line 40 must agree with line 30 of Schedule 2, Column 2.
- Column 2 Indicate the applicable line number of the expense account from Schedule 2 to which the adjustment amount is to be added or subtracted.
- Column 3 Indicate the expense account title from Schedule 2 to which the adjustment amount is to be added or subtracted.
- When an adjustment affects two or more expense accounts, each separate distribution must be indicated on a separate line of Schedule 3.

### **SCHEDULE 4, DIRECT ALLOCATION OF EXPENSES (NET OF MEDI-CAL ADJUSTMENTS)**

The purpose of this schedule is to identify all home office expenses that are directly identifiable with specific provider and nonprovider components including regional offices. These types of expenses are incurred primarily on behalf of specific components and, therefore, must be allocated directly to them.

All chain organizations will complete pages 1 and 2. Where no expenses are directly allocable, Schedule 4 should be marked not applicable (N/A)

- Columns 1–5 Enter the expense account title above each Column and show the distribution of the amount of direct allocation to each affected chain component or regional office. The totals in each column on page 2 must agree with the amounts shown on Schedule 2, Columns 4 and 5. The home office may attach supporting documentation and computations for the allocation made in each expense category.
- Column 6 Enter the sum of Columns 1 through 5 for all expenses directly allocable for each chain component. Transfer the sum for the provider and nonprovider components (not including regional offices) to Schedule 6, Column 3.

Note that line 20 and line 26 must agree with line 30 of Schedule 2, Columns 4 and 5.

Additional columns may be added or supplementary schedules may be prepared by the home office to reflect all directly allocable expenses.

## **SCHEDULE 5, ALLOCATION OF POOL EXPENSES**

It is presumed that prior to the completion of this schedule, all expenses that can be directly identifiable with given chain components have been so allocated on Schedule 4.

Pool expenses represent expenses that cannot be directly identified with any given chain component alone and, therefore, must be allocated to all components on an equitable allocation base. Included in pool expenses for purposes of this report are those amounts directly allocated to regional offices from Schedule 4.

### **Methods of Allocating Pool Expenses**

#### 1. Single Allocation Method

- a. If a single-basis of allocating costs between all chain components is selected (e.g., expense), only Part II should be completed. Part I is not applicable.
- b. This method is recommended for those chains with components that are solely health care related.

#### 2. Double Allocation Method

- a. Home offices may choose a double allocation method to effect a preliminary allocation of pool expenses between providers and nonproviders as a group due to the composition of the chain components. This method is recommended for chains, which in addition to provider components include business activities unrelated to patient care, such as apartment complexes, construction companies, etc.
- b. Double allocation is accomplished by the following process:
  - (1) Total pool expenses are allocated initially to providers in total and nonproviders in total, using Part I. Allocation should be made, on a common basis (e.g., total operating costs).
  - (2) The pool expenses allocated to providers in total in Part I are then reallocated to the individual provider entities using a common denominator, such as patient days, bed days, etc. This common denominator should take into account the types of facilities to ensure allocation on the best available basis.
  - (3) If any nonprovider components (e.g., laboratory, pharmacy) render service related to patient care, pool expenses allocated to the nonprovider components in total in Part I should be reallocated to the individual entities in Part II using an equitable basis

#### 3. Step-Down Method

Chain organizations may file their own step-down basis of allocation.

#### Change of Allocation Method and Base

When a change is contemplated by the home office, the Medi-Cal intermediary must be notified in writing and approval secured before implementation of the proposed change. Such changes will usually be approved, provided the result would be a more equitable allocation of pool expenses than the presently used method and base. Refer to CMS Pub. 15-1, Section 2150.3 for some acceptable bases of allocation of pool expenses.

Column 1, lines 1–10	Enter the Medi-Cal number for each provider component.
Column 2, lines 1–10	Enter the allocation statistics used in allocating the pool expenses attributable to the provider components only.
Column 2, line 11	Enter the subtotal of the statistics in lines 1–10.
Column 2, lines 13–19	Enter the allocation statistics used to allocate the pool expenses amount for nonprovider only.

Column 2, line 20	Enter the subtotal of the statistics in lines 13–19.
Column 3, line 11	Transfer to line 11 the allocated pool expenses initially computed in Part I, Column 3, line 1.
Column 3, line 12	Compute the Unit Cost Multiplier by dividing the subtotal in Column 3, line 11 by the subtotal in Column 2, line 11. Enter the quotient in line 12.
Column 3, lines 1–10	Compute the amount of pool expenses allocated to each provider component by multiplying the Unit Cost Multiplier from line 12 by the allocation statistics in Column 2 applicable to each provider. Transfer these amounts to Schedule 5, page 3, Part II, Columns 1 and 2, lines 1–11.
Column 3, line 20	Transfer to line 20 the allocated pool expenses initially computed in Part I, Column 3, line 2.
Column 3, line 20	Compute the Unit Cost Multiplier by dividing the subtotal in Column 3, line 20 by the subtotal in Column 2, line 20. Enter the quotient in line 21.
Column 3, lines 13–19	Compute the amount of pool expenses allocated to each nonprovider component by multiplying the Unit Cost Multiplier from line 21 by the allocation statistics in Column 2 applicable to each nonprovider. Transfer these amounts to Schedule 5, page 3, Part II, Columns 1 and 2, lines 12–19.
Column 3, line 22	Enter the total of allocated pool expenses by adding the subtotals in Column 3, lines 11 and 20. This amount must agree with the total pool expenses from Part I, Column 3, line 3. For page 1, this amount must also agree with Schedule 2, Column 6, line 30. For page 2, this amount must also agree with Schedule 2, Column 5, line 30.
Column 2, lines 22/23	Lines 22 and 23 are not applicable for the double allocation method.

### **PAGE 3, SUMMARY OF ALLOCATED HOME OFFICE AND REGIONAL OFFICE POOL**

#### **Part I: Allocation Between Provider and Nonprovider Components**

Column 1	Enter the amounts from page 1, Part I, Column 3, lines 1–3.
Column 2	Enter the amounts from page 2, Part I, Column 3, lines 1–3.
Column 3	Enter the totals of Columns 1 and 2. This amount should agree with Schedule 6, Column 5, lines 1–20.

#### **Part II: Allocation to Individual Chain Components**

Column 1, lines 1–19	Enter the amounts from page 1, Part II, Column 3, lines 1–11 and 13–20.
Column 2, lines 1–19	Enter the amounts from page 2, Part II, Column 3, lines 1–11 and 13–20.
Column 3, lines 1–19	Enter the total allocated pool expense for each provider and nonprovider component by adding Columns 1 and 2. The figures in this column should agree with Schedule 6, Column 5, lines 1–20.
Columns 1–3, line 20	Enter the grand total of each column.

(This completes instructions for the double allocation method.)

## SINGLE ALLOCATION METHOD ONLY

All chain organizations using a single allocation method will complete pages 1 and 3, Part II. Those chains with regional offices (which are included as part of the Home Office cost report and will not be subject to separate audit) will complete a separate page 2, Part II for each regional office. Please note that for the single allocation method, Part I of all pages of Schedule 5 are not applicable.

### Page 1, Allocation of Home Office Pool Expenses

### Page 2, Allocation of Regional Office Pool Expenses

#### Part II: Allocation to Individual Chain Components

Enter on lines 1–10 and 13–19 the names of all chain components. Also note the allocation base chosen (this must be the same for providers and nonproviders).

Column 1, lines 1–10	Enter the Medi-Cal number for each provider component.
Column 2, lines 1–10 and lines 13-19	Enter the allocation statistics used to distribute the pool expenses to the providers and nonproviders.
Column 2, lines 11, 12, 20, and 21	For the single allocation method, these lines are not applicable.
Column 2, line 22	Enter the total of the allocation statistics from lines 1 through 10 and 13 through 19.
Column 3, line 22	Enter the total allocated pool expenses. For page 1 this figure must agree with Schedule 2, Column 6, line 30. For page 2, this figure must agree with Schedule 2, Column 5, line 30.
Column 2, line 23	Compute the Unit Cost Multiplier by dividing the total pool expenses (Column 3, line 22) by total allocation statistics (Column 2, line 22). The quotient should be noted on line 23.
Column 3, lines 1–10, lines 13-19	Compute the amount of pool expenses allocated to each provider and nonprovider component by multiplying the Unit Cost Multiplier from line 23 by the allocation statistics in Column 2. Transfer these amounts to Schedule 5, page 3, Part II, Columns 1 and 2, lines 1 through 19.

## PAGE 3, SUMMARY OF ALLOCATED HOME OFFICE AND REGIONAL OFFICE POOL EXPENSE

#### Part II: Allocation between Provider and Nonprovider Components of the Chain

Column I, lines 1–10, lines 12–19	Enter the amounts from page 1, Part II, Column 3, lines 1–10 and 13–19.
Column 2, lines 1–10, lines 12-19	Enter the amounts from page 2, Column 3, lines 1–10 and 13–19.
Column 3, lines 1-10, lines 12-19	Enter the totals of Columns 1 and 2. This amount should agree with Schedule 6, Column 5, lines 1–20.
Lines 11 and 19	Lines 11 and 19 in all columns are not applicable for the single allocation method.
Line 20	Enter the grand total of each column.

(This completes instructions for the single allocation method.)

## SCHEDULE 6, HOME OFFICE COST ALLOCATION

Schedule 6 is a summary of the Home Office cost allocations from Schedules 4 and 5. Each allocation represents the individual chain component's share of home office costs to be reflected in the provider's Medi-Cal cost report.

Enter on lines 1 through 10 and 12 through 18 the chain components to which the home office costs have been allocated.

Column 1	Enter the Medi-Cal number for each provider.
Column 2	Enter the fiscal year end for each provider.
Column 3	Enter the direct allocations of home office expenses from Schedule 4, lines 11 and 20, Column 6, to each chain component.
Column 4	Enter the pool allocations of home office and Regional Office expenses from Schedule 5, Page 3, Column 3, for each chain component.
Column 5	Enter the sum of Columns 4 and 5 for each chain component. The total allocated home office costs in Column 6, line 20 must agree with Column 3, line 30 of either page 2 of Schedule 2.

### **SCHEDULE 7, INTER PERIOD ALLOCATION OF HOME OFFICE COSTS**

Schedule 7 should be completed only when the home office reporting period differs from the reporting period of one or more chain components. The amount of allowable home office cost for these components will be determined from two home office cost reports (the prior year's and the current year's reports.)

For example, if a home office has a 12/31 fiscal year end, and a provider has a 5/31 fiscal year end, the home office allocations to be included in the 5/31/05 provider cost report would be made up of the following:

- ⓐ the cost from the period 6/1/04 through 12/31/04 as reported in the home office cost report for fiscal year ending 12/31/04
- ⓑ the cost from the period 1/1/05 through 5/31/05 as reported in the home office cost report for fiscal year ending 12/31/05

Schedule 7 provides the mechanism for making the proper inter-period allocations to be included in the individual provider cost reports.

Enter the names of the provider and nonprovider chain components whose cost report period differ from that of the home office.

Column 1	Enter the Medi-Cal number of each provider listed.
Column 2	Enter the fiscal year end of each provider and nonprovider component listed.
Column 3	Enter the portion of direct costs (may be 100%) assigned in the prior year's home office cost report that were actually incurred within the component's current reporting period.
Column 4	Enter the total pool costs allocated to each component from the prior year's home office cost report (Schedule 6, Column 5).
Column 5	Enter the percentage of pool costs allocable to each component. This is the number of months of the prior year's home office cost report that is covered in the component's reporting period. For example, if five months of the prior year's home office cost report period are covered in the reporting period of one provider, the applicable percentage should be 5/12 or 41.67 percent.
Column 6	The pool costs applicable to the component in the prior year is obtained by multiplying Column 4 by Column 5.
Column 7	Enter the portion of the direct costs assigned in the current year's home office cost report that were actually incurred within the component's reporting period.
Column 8	Enter the current year's home office pool cost allocation for each component listed (from Schedule 6, Column 5).

- Column 9 Enter the applicable percentage of the current year's pool cost allocable to each component based on the number of months the home office year end coincides with the component's year end.
- Column 10 Multiply Column 8 by the percentage in Column 9 to obtain the applicable pool costs adjusted to each component's year end.
- Column 11 Enter the sum of Columns 3, 6, 7, and 10. This sum represents the total home office costs allocated to the individual chain components based upon the reporting year end of each component. This amount should be included in the provider cost report.

**Note:** The home office must include supporting documentation identifying the inter period allocations by type of expense for each chain component.

### **SCHEDULE 8, STATEMENT OF REVENUE AND EXPENSE**

Schedule 8 must be completed in its entirety or a substitute revenue and expense statement for the home office must be submitted as part of the home office cost report.

### **SCHEDULE 9, BALANCE SHEET STATEMENT**

Schedule 9 must be completed in its entirety or a substitute balance sheet statement for the Home Office must be submitted as part of the home office cost report.

- Columns 2 and 4,  
lines 1–47 Enter the year end balances for assets, liabilities, and capital of the chain home office. The account descriptions used on Schedule 9 may not conform to the accounts used by home office, in which case the home office account titles should be substituted.