June 26, 2023

To: All North Dakota Psychiatric Residential Treatment Facilities

From: LeeAnn Thiel, Medical Services Division

The 2023 Psychiatric Residential Treatment Facility Cost Report template is available on our website at:

www.hhs.nd.gov/healthcare/medicaid/provider/facility-cost-reporting

Complete the cost report, in accordance with North Dakota Administrative Code 75-02-09, Ratesetting for Psychiatric Residential Treatment Facilities.

The cost report and supporting documents may be submitted in a zip file. If a zip file is used, all documents must still follow the naming convention outlined below.

Do not use punctuation or special characters in the file names as it may cause file transfer issues.

The cost report will not be complete and will be returned to the provider if all the instructions below are not followed.

The cost report and supporting documentation is due by October 1st. When completing the excel cost report the following instructions must be followed:

1. The cost report must be submitted electronically in excel format using the 2023 template.
2. Schedules that have the Not Applicable column grayed out on the Checklist must be completed.
3. Use only whole dollars and round all percentages to no more than eight decimal places. The cells highlighted in light blue are the cells that can be keyed in. All other cells are locked, and the entire sheet is password protected.
4. The excel cost report must have the following naming convention:
    a. *[PRTF]* 2023 cost report
5. On Schedule A, the MA Provider Number must be the facility's 7-digit Medicaid provider number.
6. All questions on Schedule A-2 must be answered accurately. If a 'Yes' is answered and supporting documentation is required, it must be submitted with the cost report.
7. Additional C-2s for cost centers that do not have an identified C-2 within the cost report must be submitted in a separate excel file using the 2023 template with the cost report using the following naming convention:

    a. *[PRTF]* 2023 Additional C-2s

8. If applicable, a census reconciliation must be submitted in a separate excel file using the following naming convention:

    a. *[PRTF]* Census Reconciliation 2023

9. Depreciation / Fixed Asset schedules must be submitted in a separate file using the following naming convention:

    a. *[PRTF]* Fixed Asset Schedule 2023

10. Audited report of the Facility's financial records must be submitted in a separate file using the following naming convention:

    a. *[PRTF]* Audited Financials 2023

11. If applicable, audited financial statements for the home office if home office costs are reported on the cost report must be submitted in a separate file using the following naming convention:

    a. *[PRTF]* Home Office Audited Financials 2023

12. Any supporting documentation submitted must be named with the PRTF's name at the beginning of the document name.

13. Schedules with red reconciliation testing below or beside the worksheet must equal zero where indicated.

14. All links to outside worksheets/workbooks must be removed.

15. An allocation method on Schedule C-1 must be selected. If costs are 100% direct numbers 20 through 22 must be used.

16. Reclassifications must equal zero individually and in grand total on Schedules C-1 and D-2.

17. Schedule W must be completed for the entire campus. All applicable allocation areas must be completed, and the square footage reported on the appropriate line for the identified cost centers. Common square footage must be reported on the appropriate line for each allocation area.

The following documents must be submitted with the cost report to facilitate the review of the cost report:

- A letter, signed by the administrator and the facility's accounting firm, authorizing access to the preparer's work papers;
- The audit report of the facility's financial records and the fiscal year end or report year end adjusting and reversing entries;
- A work paper reconciling the June 30, 2023 revenues and costs to the latest audited financial statements;

- A working trial balance or general ledger that ties to Schedule C-4;
- Current crosswalk of the accounts on the trial balance to the Schedule C-4 line and column;
- A work paper identifying the account number, description, amount, and total amount for any combination of accounts that appear on Schedule C-4.
- A work paper in spreadsheet format detailing the weighted square footage (WSF) calculation(s). If the WSF calculation is different than the one submitted with the June 30, 2022 cost report a detailed description of the changes must be submitted with the WSF calculation(s) and question #15.a and #15.b answered accurately on Schedule A-2;
- Depreciation schedules in a separate file as noted above;
- New loan agreements and amortization schedules.

The following process during the desk review will continue to be used:
- Requests for more information during the desk review will be sent to the e-mail address identified on Schedule A of the cost report. The timeliness of your response to the request for information will help ensure your facility's desk rates are issued on time.
- Adjustments based on the desk review will be sent electronically to the e-mail address on Schedule A of the cost report.
- Your response to adjustments made on the desk review must be received by Myers and Stauffer within seven working days of the notification of the adjustments. If a response is not received within seven working days, the desk rates will be issued based on the adjustments made during the desk review.

Summary of Updates

The cost report has been revised to improve and ease both the preparation and audit review processes. Detailed instructions for each schedule are included later in this document. Here is a brief summary of the changes:
- If final audited financial statements are not complete to submit with the cost report, draft financial statements may be submitted. A one-page income statement will not be accepted. Final audited financial statements must be submitted by December 1st.
- Schedule C-3 – do not use open allocation lines if the allocation is already listed on C-3.

- Schedule C-8 – Schedules C-7 and C-8 have been combined.
- Schedule K – added a section for working capital interest to separate property from working capital.
- Schedule L – minor revision to report total building lease rental only.
- Schedule W – the total square footage reported on the 2023 cost report cannot exceed the 2022 cost report total square footage in total unless new additional square footage was placed into service. Shared usage throughout PRTF and non-PRTF can shift within that total. Public restrooms are common square footage. Allocation percentages used on this schedule must be rounded to at least 4 decimal places (00.0000%).

Cost Report Instructions

Check

- The cost report will be returned to the provider to correct any errors on this tab:
  - The Schedule C-2 comparisons must reconcile.
  - Schedule W must be completed, including the Resident Room section in cells P8 through Q16.

Checklist

- The checklist must be completed and returned with all other schedules.

Schedule A & A-1

- Schedule A provides for the completion of general, licensing, occupancy and room type information, and an administrator's and accountant's certification. The number of rooms by type must equal the total licensed number of beds. The MA Provider Number must be the facility's 7-digit Medicaid provider number. For certification signature, print, sign, and date. Return as a PDF file.
- Do not enter anything in cell I3, this is for state use only.
- Schedule A-1 provides for the completion of private, other public pay and Medicaid rate information

Schedule A-2

- Schedule A-2 contains questions relating to the cost report. The census portion

should be completed prior to completing schedule B-1, in order to allow potential necessary adjustments to be made to the accumulated information on B-1. Be aware that certain questions may require adjustments on Schedule D-1.

- If you answer No to question 1 you must separately identify those days and add the days as a reconciling item and submit a census reconciliation in a separate file as noted above.
- If you answer Yes to question 2 you must separately identify those days and deduct the days as a reconciling item and submit a census reconciliation in a separate file as noted above.
- If you answer Yes to question 15 you must provide support for the changes with the rooms labeled and square footage per room identifying total square footage, storage areas, hallways, mechanical room square footage, total resident room square footage, on the spreadsheet detailing square footage for Schedule W.

Schedule B-1

- Schedule B-1 is used to report the number of resident days by type, e.g., in-house or leave, on a monthly basis by licensed section, including QRTP and Non-PRTF.
- Be sure to account for reconciling days based on your responses to questions 1-2 on Schedule A-2.

Schedule C-1

- Schedule C-1 provides for the total costs by cost center summarized on Schedule C-4, reclassifications & adjustments summarized on Schedule D, and for the subsequent allocation of costs using statistics as appropriate from Schedule C-3.
- An allocation method # must be selected for each cost center.
- The Property Costs allocation method # is hard coded to 10.
- Allocation methods #20 through #22 must be used if the costs are 100% directly identified to PRTF, QRTP or Non-PRTF.

Schedule C-2a

- Schedule C-2a must be completed for all property & passthrough costs. This schedule contains sections within it to calculate the allocation of property costs between PRTF, QRTP, and Non-PRTF costs.

- There is a separate section for each of the property components consisting of depreciation, interest expense, property taxes and specials, lease and rentals and startup costs along with statistics.
- Make certain that adjustments and reclassifications are entered on this schedule in the proper cost component section.
- The Property Costs Allocation Statistics section must be completed for any statistic used in the component cost allocations.
  - Document Reference – identify where the statistics come from i.e., Sch C-3 and to supporting workpapers such as WSF.
  - Allocation Method – a unique brief description of the allocation method.
  - Allocation Wkst. Name – a drop-down box for the component using the statistic. This must be entered more than once if used in more than one component.
  - PRTF, QRTP, and Non-PRTF – are used to report the statistic percentage. The percentages must total 100%.
- The Cost Component sections must be completed if applicable.
  - GL Description – a brief description of the general ledger account.
  - Allocation Method – use the drop-down box to enter the allocation method used in the Allocation Statistics section. Use DIRECT allocation method for any costs that are not to be allocated and directly placed in the column.
  - Allocation Wkst Amount – total amount to be allocated based upon the allocation method statistic chosen.
  - PRTF, QRTP, and Non-PRTF – are used to enter direct costs and to allocate costs. The total allocated costs must equal the total prior to allocation on each line.
- Enter direct costs on Direct line in the proper column.
- Allocated costs are automatically calculated from the statistics above in combination with the allocation method name.
- All adjustments on C-2a must be reported on Schedule D-1.
- All reclassifications on C-2a must be reported on Schedule D-2.

Schedule C-2i

- Schedule C-2i must be completed for administration costs. This schedule contains sections within it to calculate the allocation of administration costs between PRTF, QRTP, and Non-PRTF costs.

- There is a separate section for each of the administration cost center components consisting of salaries, fringe benefits, malpractice costs, and other costs along with statistics.
- An additional section titled E Costs is included for use if needed.
- The amounts are linked to schedule C-3. Even if there is no allocation the amounts must be entered on this schedule.
- Make certain that adjustments and reclassifications are entered on this schedule in the proper cost component section.
- The Allocation Statistics section must be completed for any statistic used in the component cost allocations.
  - <u>Document Reference</u> – identify where the statistics come from i.e., Sch C-3 and to supporting workpapers.
  - <u>Allocation Method</u> – a unique brief description of the allocation method.
  - <u>Allocation Wkst. Name</u> – a drop-down box for the component using the statistic. This must be entered more than once if used in more than one component.
  - <u>PRTF, QRTP, and Non-PRTF</u> – are used to report the statistic percentage. The percentages must total 100%.
- The Cost Component sections must be completed if applicable.
  - <u>GL Description</u> – a brief description of the general ledger account.
  - <u>Allocation Method</u> – use the drop-down box to enter the allocation method used in the Allocation Statistics section. Use DIRECT allocation method for any costs that are not to be allocated and directly placed in the column.
  - <u>Allocation Wkst Amount</u> – total amount to be allocated based upon the allocation method statistic chosen.
  - <u>PRTF, QRTP, and Non-PRTF</u> – are used to enter direct costs and to allocate costs. The total allocated costs must equal the total prior to allocation on each line.
- Enter direct costs on Direct line in the proper column.
- Allocated costs are automatically calculated from the statistics above in combination with the allocation method name.
- All adjustments on C-2i must be reported on Schedule D-1.
- All reclassifications on C-2i must be reported on Schedule D-2.

Schedule C-3

- Schedule C-3 provides statistical data to be used to allocate costs for a combination facility, or a facility with non-resident related activities.
- Detailed work papers supporting the facility's accumulation of the statistical data must be submitted if any calculations were necessary to accumulate the data.
- Schedule C-2a automatically transfers to Schedule C-3 for the property cost center.
- Schedule C-2i does not automatically transfer to C-3. This schedule must be used to report costs and allocation statistics for the Administration cost center.
- Use Schedule C-3 #20, #21, #22, for 100% direct allocation to PRTF, QRTP or Non-PRTF.
- Other allocations must be identified and supported by a Schedule C-2 for cost centers that do not have an identified C-2 within the cost report.

Schedule C-4

- Schedule C-4 provides facility cost information which must tie to the trial balance submitted with the cost report. Fringe benefits must be reported on schedule C-5.

Schedule C-5

- Schedule C-5 provides information on fringe benefits.   Where the facility directly assigns fringe benefits, the costs should be entered in the direct column. Fringe benefits not directly assigned will be allocated to the various cost centers based on the percent of salaries to the total salaries. Costs identified in the total column by cost center will automatically transfer to Schedule C-4.

Schedule C-6

- Facilities with fiscal years differing from the report year should submit work papers detailing the reconciliation of costs reported.

Schedule C-8

- Schedule C-8 identifies revenue by general ledger account number.
- Schedule C-8 reconciles total revenue to total financial statement revenue.
- A trial balance that lists all revenue accounts by account number, name, and amount may be submitted in lieu of Schedule C-8.

Schedule D

- Schedule D summarizes all adjustments and reclassifications made on Schedules D-1 and D-2 by cost components within the cost centers. The amounts on Schedules D-1 & D-2 are automatically transferred to Schedule C-1.

Schedule D-1

- Schedule D-1 is used to record adjustments under the cost center and cost component directly affected. It may be necessary to allocate the adjustment between Salaries, Fringes and Other when no direct relationship exists.
- Use the drop-down lists to record the adjustments in the proper Cost Center and Cost Component. Ensure that when an adjustment impacts Property Costs, select Property Costs in both the Cost Center and Cost Component drop-down lists.
- If a cost center and cost component are not selected from the drop-down lists, the amounts on Schedule D-1 will not transfer to Schedule D or reconcile to certain linked schedules such as Schedule E and Schedule H. The total of Schedule D-1 will not equal the Schedule D-1 Total column on Schedule D. These amounts must equal for the cost report to be complete.

Schedule D-2

- Schedule D-2 is used to record all reclassifications between cost centers and cost components. Each individual reclassification entry and the grand total of all reclassifications must equal zero.
- Use the drop-down lists to record the reclassifications in the proper cost center and cost component. Ensure that when a reclassification impacts Property Costs, select Property Costs in both the Cost Center and Cost Component drop-down lists.
- If a cost center and cost component are not selected from the drop-down lists, the amounts on Schedule D-2 will not transfer to Schedule D or reconcile to certain linked schedules such as Schedule E and Schedule H. The total of Schedule D-2 will not equal the Schedule D-2 Total column on Schedule D. These amounts must equal for the cost report to be complete.

Schedule D-5

- D-5 provides information on compensation for top management personnel. Schedule D-5 within the cost report template must report compensation for all administrators of the facility during the cost report year.

- Additional Schedule D-5s must be submitted as supporting documentation for top management personnel.
- Adjust compensation for all top management personnel in excess of the limitation on Schedule D-1.
- Compensation for top management personnel employed for less than a year must be limited to an amount equal to the limitation divided by 365 times the number of calendar days the individual was employed.

Schedule D-8

- Schedule D-8 provides for the adjustment of dues, contributions, and advertising costs. Provide the detail accounts for dues, contribution, and advertising with this schedule.
- Provide the detail accounts for dues, contribution, and advertising with this schedule.
- Provide the detail of lobby percent calculations for the salaries and expenses related to lobbying which are non-allowable.

Schedule E

- Schedule E provides information on Home Office costs. This schedule must be completed by a facility who has claimed costs for a home office or a parent organization.
- A summary of the home office costs, adjustments made, and allocation to the related providers must be submitted with the cost report.
- A reconciliation must occur if estimates to home office costs were reported on the June 30, 2022 cost report. Reconciliation of prior year reported estimated home office costs to actual home office costs must be completed on an annual basis if estimates are used.

Schedule F

- Schedule F must be completed if interest income has been earned and interest expense has been claimed.

Schedule G

- Schedule G must be completed for everyone who qualifies in one of the categories listed on the schedule.

- Documentation must be available to indicate the types of services performed and the number of hours worked by month and day.
- Indicate the basis of valuation for the hourly salary.

Schedule H

- This schedule provides for reporting the actual costs of ownership of a facility leased from a related party and information on the related party organization.

Schedule I

- This schedule provides for organizational information on the owners and operators of the facility.

Schedule J

- Schedule J provides information on the assets and related depreciation expense of the campus. This must include all assets of the entity including but not limited to PRTF, QRTP, Non-PRTF, etc.
- The Current Year Additions must tie to depreciation expense on Schedule C-4 line 38.

Schedule K

- Schedule K provides information on debt and interest expense claimed by the facility. Workers compensation and vendor interest expense must be identified.
- Property interest expense must tie to schedule C-2a cell B11.
- Total Interest expense must tie to schedule C-4 line 39.

Schedule L

- Schedule L provides information on lease or rental of building and equipment from non-related parties.
- Total building lease/rental expense must be reported in addition to total equipment lease/rental expense.
- All buildings and/or equipment leases/rentals must be listed.

Schedule M

- Schedule M provides information on special rates established under NDAC 75-02-09-04.4. This schedule may be completed if a special rate is requested by the facility that has an increase in licensed capacity by twenty percent or have renovation or construction projects in excess of $50,000, or an increase in costs to add services or staff during the report year.

Schedule W

- Schedule W is used to report and allocate the <u>entire campus</u> square footage by facility or service area (allocation area). This schedule calculates the PRTF square footage per bed.
- There are five allocation areas to allocate square feet: PRTF, QRTP, Non-PRTF Costs, Other WSF #4 and Other WSF #5.
  - All square footage not identified in the first five above must be included in the Other category.
- This schedule is similar to worksheets submitted for square footage as supplemental information.
- A separate supporting spreadsheet detailing the square footage must be submitted. This spreadsheet must not include any percentage allocations.
- A description of the usage of any space in non-PRTF buildings that is allocated to the PRTF must be submitted.
  - A map detailing the space must be submitted also.
- Determine the allocation method and percentages by facility / allocation area for each of the cost categories using acceptable methods per NDAC 75-02-09-07, Cost Allocations. For example: meals served statistics for dietary square feet.
- Allocation Area:
  - <u>Identified Cost Centers</u> – enter the square feet for each cost center on these lines. Do not use blank lines for these cost centers.
  - <u>Blank Cost Centers</u> – enter square feet for cost centers not uniquely identified. Do not lump cost centers together.
  - <u>Allocation Method</u> – a unique brief description of the allocation method.
  - <u>Percentage</u> - enter statistics percentages by cost category using acceptable methods in appropriate columns for each cost center.
    - Total percentages must equal 100%.
    - Percentages must be rounded to at least 4 decimal places (00.0000%).

- Plant and Housekeeping – are automatically calculated using allocated square feet per NDAC 75-02-09-07(1)(d).
- Subtotal Allocated Square Feet – do not enter other allocations below this line unless a waiver has been granted to do so.
- Common Square Feet – enter common square feet on this line only.
  - Allocated square feet percentage is used to allocate common areas, the same method as plant and housekeeping.
  - Common square feet are defined as shared square footage between the PRTF and Non-PRTF service lines. Non-PRTF service lines include QRTP and non-PRTF.
    - Common space may include rooms, lobby entrances, corridors, elevators, restrooms, gift shops and coffee shops. Public restrooms are common square footage.
    - Service lines can be used as a determinant of facility type. For example: Home Health or independent living would be considered Other.
- Room Square Feet Detail – BC Only section:
  - Complete square feet and number of rooms for each uniquely sized private room and semi-private rooms for the PRTF only.
  - Include bathrooms in square feet.
- Sufficiently detailed maps to scale should be available to provide proof of square footage in total and detail. Rooms should be identifiable as to square footage reported.
  - Pictures (jpg images) or hand drawings are not acceptable.
  - Color coded areas must be legible, and a legend included identifying the colored categories.