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Medicare Home Office Cost Report Update

2023 Minnesota HFMA Regulatory Conference

November 2, 2023



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Learning Objectives



Home Office Cost Report 101 – What is it?



Changes effective 10/1/2022



Tips and Tricks



Q&A



Home Office Cost Report 101



What is a Home Office?

For Medicare and/or Medicaid purposes, CMS defines a home office as an entity that provides centralized management and administrative services to the individual members of a chain organization and a chain organization as an entity that consists of a group of two or more Medicare-certified providers (providers) or at least one provider and any other non-provider business or entity owned, leased, or through any other device, under common ownership or control.



Home Office Basics

- Medicare Administrative Contractors (MACs) issue a home office number, not CMS
- Medicare home office cost reports are due 150 days after year end
- Providers claiming home office costs **must** provide the home office cost report as support for allowable costs at cost report filing
- The home office can include regional offices and divisions





Changes Effective with Cost Report Periods Beginning October 1, 2022



What's New?

- New form: CMS-287-22
- New regulation: CMS Pub. 15-2, Chapter 48
- Effective for cost report periods beginning on or after 10/1/2022
- New structure to better align with other form sets



Electronic Filing

- New electronic filing requirement
 - ECR and PI file required
 - Must file via MCR eF or on a CD or flash drive
 - Electronic signature is now an option

PART II - CERTIFICATION			
<p>MISREPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS COST REPORT MAY BE PUNISHABLE BY CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW. FURTHERMORE, IF SERVICES IDENTIFIED IN THIS REPORT WERE PROVIDED OR PROCURED THROUGH THE PAYMENT DIRECTLY OR INDIRECTLY OF A KICKBACK OR WERE OTHERWISE ILLEGAL, CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINES AND/OR IMPRISONMENT MAY RESULT.</p>			
<p>I HEREBY CERTIFY THAT I HAVE READ THE ABOVE CERTIFICATION STATEMENT AND THAT I HAVE EXAMINED THE ACCOMPANYING ELECTRONICALLY FILED OR MANUALLY SUBMITTED COST REPORT AND THE BALANCE SHEET AND STATEMENT OF REVENUE AND EXPENSES PREPARED BY _____ (HOME OFFICE NAME AND HOME OFFICE NUMBER) FOR THE COST REPORTING PERIOD BEGINNING _____ AND ENDING _____ AND THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THIS REPORT AND STATEMENT ARE TRUE, CORRECT, COMPLETE AND PREPARED FROM THE BOOKS AND RECORDS OF THE HOME OFFICE IN ACCORDANCE WITH APPLICABLE INSTRUCTIONS, EXCEPT AS NOTED. I FURTHER CERTIFY THAT I AM FAMILIAR WITH THE LAWS AND REGULATIONS REGARDING THE PROVISION OF HEALTH CARE SERVICES AND THAT THE SERVICES IDENTIFIED IN THIS COST REPORT WERE PROVIDED IN COMPLIANCE WITH SUCH LAW AND REGULATIONS.</p>			
	SIGNATURE OF CHIEF FINANCIAL OFFICER OR ADMINISTRATOR	CHECKBOX	ELECTRONIC SIGNATURE STATEMENT
1	1	2	1
2	Signatory Printed Name		I HAVE READ AND AGREE WITH THE ABOVE CERTIFICATION STATEMENT. I CERTIFY THAT I INTEND MY ELECTRONIC SIGNATURE ON THIS CERTIFICATION TO BE THE LEGALLY BINDING EQUIVALENT OF MY ORIGINAL SIGNATURE.
3	Signatory Title		
4	Signature Date		



Electronic Filing

- How to enroll a Home Office for MCR eF
 - A HO/CO enrolls for MCR eF in the same manner as a healthcare provider.
 - Visit: <https://www.cms.gov/research-statistics-data-and-systems/cms-information-> and scroll to the bottom of the page to select the link for the CMS IDM user interface. On the CMS.gov/IDM web page, select New User Registration (red box near bottom of page) to set up the HO/CO in IDM.
 - The HO/CO must establish a security official (and recommend setting up a back-up security official).
 - Include the HO/CO provider # in their list of CCNs tied to their organization.



New Structure

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
Schedule A, Part I & Part II	Schedule S, Parts I & II	Designated Part I as Cost Statement Status and added data elements identifying the status; added the electronic signature statement to the Part II Certification.
Schedule A, Part I	Schedule S-1, Parts I & II	Designated Part I as Home Office Data to capture identification information applicable to the home office/chain organization (HO/CO); designated key officer data as Part II.
Schedule A, Parts III, IV, & V	Schedule S-2, Parts I, II & III	Designated Parts I, II, and III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, to list the components of the HO/CO.
Schedule B	Schedule A	Designated Schedule A as the updated Reclassification and Adjustment of Trial Balance of Expenses.
Schedule B-1	Schedule A-6	Designated Schedule A-6 as the updated Reclassifications of Expenses.
Schedule B-2, Parts I, II, & III	Schedule A-7, Parts I & II	Designated Part I as Analysis of Changes in Capital Asset Balances; designated Part II as Reconciliation of Capital Cost Centers.



New Structure (Cont.)

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
Schedule C	Schedule A-8	Designated Schedule A-8 as the updated Adjustments to Expenses.
Schedule D, Parts B & C	Schedule A-8-1, Parts I & II	Designated Part I as Adjustments Required as a Result of Transactions with Related Organizations and/or Home Office/Chain Organizations; Designated Part II as Interrelationship of Home Office/Chain Organization to Related Organizations.
Schedule E	Schedule B, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for direct allocations of capital related costs.
Schedule E-1	Schedule B-1, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for direct allocations of non-capital related costs.
Schedule F, Part I	Schedule C, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for function allocations of capital related costs.



New Structure (Cont.)

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
Schedule F, Part II	Schedule C-1, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for statistics to functionally allocate capital related costs.
Schedule F-1, Part I	Schedule D, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for function allocations of non-capital related costs.
Schedule F-1, Part II	Schedule D-1, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for statistics to functionally allocate non-capital related costs.
Schedule G, Part I	Schedule E	Designated Schedule E for the allocation of pooled costs for the double allocation method.
Schedule G, Part II	Schedule E-1, Parts I, II, & III	Designated Parts I, II, & III for the allocation of pooled costs to Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively.



New Structure (Cont.)

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
	Schedule F, Parts I, II, & III	Added the Schedule F, Parts I, II, and III, to summarize capital related costs by healthcare components, non-healthcare components, and region/division components, respectively.
	Schedule F-1, Parts I, II, & III	Added the Schedule F-1, Parts I, II, and III, to summarize non-capital related costs by healthcare components, non-healthcare components, and region/division components, respectively.
Schedule J	Schedule G	Designated Schedule G as the updated Balance Sheet.
Schedule I	Schedule G-1	Designated Schedule G-1 as the updated Statement of Revenues and Expenses.





Tips and Tricks for Preparation in HFS



Where to Start

- If you have previously filed a home office cost report, we recommend using the New Report Wizard.

New Report Wizard

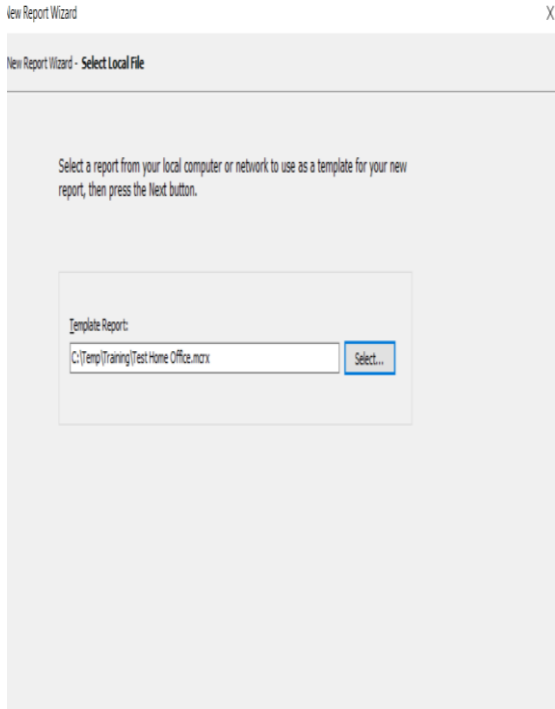
New Report Wizard - Previous Report Location

Your new report can be pre-filled with information contained in a previous report. To use a previous report to start your new report, select from the options below where your previous report is located.

Where is your previous report located?

- SaFE (you previously submitted a report for storage on SaFE)
- HFS HCRIS Database (coming soon)
- Local Computer or Network
- I don't have a previous report.

HFS Tips & Tricks



- Select the location of the prior year file.

HFS Tips & Tricks

New Report Wizard ✕

New Report Wizard - **Choose Target Cost Statement Form**

The CMS-287-05 Home Office Cost Statement form set has been replaced by the CMS-287-22 form set for cost statement periods beginning on or after October 1, 2022.

Please select the form you would like to use to create your new report by choosing from the options below.

Fiscal year of current report:
10/01/2021 to 09/30/2022

Create New Report using Form-Set:

CMS-287-05

CMS-287-22



HFS Tips & Tricks

New Report Wizard

New Report Wizard - **Cost Statement Options**

What will be the fiscal year of your new report?

From: / / To: / /

Choose the previous report information you would like to use in the new report:

- General Information and Chain Organizations
- Cost Center Structure
 - Statistical Allocation Methodology
 - Reclassification Structure (no reclassification values)
- Related Organization Interrelationships
- Expense Adjustment Structure (added lines, basis codes, and cost center assignments)
- Functional Allocation Statistics
- Pooled Allocation Statistical Basis Labels
- Statement of Revenue and Expense SI

- Choose the new FYE – automatically populates to the 12 months prior to the PY you use
- Choose if you want to use the same cost centers, statistics, etc. as the PY



HFS Tips & Tricks

Location and Name of New HFS File

New Report Wizard ×

New Report Wizard - **Location and Name of New Report**

The last thing we need to know is the location where you would like your new report created, and the name you would like to give that report.

In what folder should we create your new report?

What should we name your new report?

.mcrx



HFS Tips & Tricks

HFS New Available Forms

Open Forms

Form	Description
<input type="checkbox"/> S, Parts I & II	HOME OFFICE COST STATEMENT CERTIFICATION
<input type="checkbox"/> ▶ S-1, Parts I & II	HOME OFFICE IDENTIFICATION DATA
<input type="checkbox"/> ▶ S-2, Parts I-III	LISTING OF COMPONENTS
<input type="checkbox"/> A	RECLASSIFICATION AND ADJUSTMENT OF TRIAL BALANCE OF EXPENSES
<input type="checkbox"/> A-6	RECLASSIFICATIONS OF EXPENSES
<input type="checkbox"/> A-7, Parts I & II	ANALYSIS OF CAPITAL COST CENTERS
<input type="checkbox"/> ▶ A-8	ADJUSTMENTS TO EXPENSES
<input type="checkbox"/> ▶ A-8-1, Parts I...	COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND / OR HOME OFFICE / CHAIN ORGANIZATIONS
<input type="checkbox"/> B, Parts I-III	DIRECT ALLOCATION OF CAPITAL RELATED COSTS
<input type="checkbox"/> B-1, Parts I-III	DIRECT ALLOCATION OF NON-CAPITAL RELATED COSTS
<input type="checkbox"/> C, Parts I-III	FUNCTIONAL ALLOCATION OF CAPITAL RELATED COSTS
<input type="checkbox"/> C-1, Parts I-III	FUNCTIONAL ALLOCATION OF CAPITAL RELATED COSTS - STATISTICS
<input type="checkbox"/> D, Parts I-III	FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS
<input type="checkbox"/> ▶ D-1, Parts I-III	FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS
<input type="checkbox"/> E	ALLOCATION OF POOLED COSTS FOR DOUBLE ALLOCATION METHOD
<input type="checkbox"/> ▶ E-1, Parts I-III	ALLOCATION OF POOLED COSTS TO COMPONENTS
<input type="checkbox"/> F, Parts I-III	SUMMARY OF CAPITAL RELATED COSTS
<input type="checkbox"/> F-1, Parts I-III	SUMMARY OF NON-CAPITAL RELATED COSTS
<input type="checkbox"/> F-2, Parts I-III	SUMMARY OF INTEREST INCOME
<input type="checkbox"/> F-3, Parts I-III	SUMMARY OF ALLOCATED COSTS
<input type="checkbox"/> G	BALANCE SHEET
<input type="checkbox"/> ▶ G-1	STATEMENT OF REVENUES AND EXPENSES
<input type="checkbox"/> 700 Report	ECR Comparison Report
<input type="checkbox"/> 800 Report	MCRX Comparison Report
<input type="checkbox"/> IER	Import Error Report



Tips and Tricks for Home Office Cost Report Preparation



Home Office Expenses

- Allowable expenses follow cost report rules
 - Expenses must be related to patient care
- Types of expenses recorded on the cost report depend on the structure of the home office/corporate entity
- Report expenses on Schedule A
 - Recommend using subscribed lines
 - Identify departmental expenses
 - More appropriately align with the cost allocation methodology



Schedule A: Home Office Expenses

CLASSIFICATION AND ADJUSTMENT OF TRIAL BALANCE OF EXPENSES			
	DESCRIPTION	EXPENSES PER HOME OFFICE BOOKS	RECLASSIFICATION
		1.00	2.00
CAPITAL RELATED COST CENTERS			
1.00	CRC-B&F	5,000,000	
2.00	CRC-ME	2,000,000	
3.00	SUBTOTAL CRC	7,000,000	
OTHER CAPITAL RELATED COST CENTERS			
4.00	INSURANCE PREMIUMS-OTHER CRC	500,000	
5.00	TAXES & LICENSES-OTHER CRC	0	
6.00	ALL OTHER CAPITAL RELATED COSTS	0	
7.00	SUBTOTAL OTHER CRC	500,000	
NON-CAPITAL COST CENTERS			
8.00	SALARIES OF OFFICERS	3,000,000	
8.01	SALARIES OF OFFICERS	0	
8.02	REVENUE CYCLE SALARIES	5,000,000	
8.03	IT SALARIES	4,000,000	
9.00	SALARIES AND WAGES OF OTHERS	0	
10.00	PAYROLL TAXES	0	
11.00	EMPLOYEE BENEFITS-PAYROLL RELATED	500,000	
12.00	EMPLOYEE BENEFITS-NON-PAYROLL REL	500,000	
13.00	PROFIT SHARING/PENSION PLANS	0	
14.00	LEGAL FEES	1,000,000	
15.00	AUDITING AND ACCOUNTING FEES	800,000	
16.00	UTILITIES	600,000	
17.00	COMMUNICATIONS	0	
18.00	TRAVEL AND ENTERTAINMENT	0	
19.00	TRANSPORTATION	0	
20.00	CLEANING, OFFICE & ADMIN SUPPLIES	0	
21.00	MINOR EQUIPMENT	0	
22.00	REPAIRS AND MAINTENANCE	0	
23.00	DUES AND SUBSCRIPTIONS	500,000	
24.00	CONTRIBUTIONS	0	

- New Schedule A (formerly Schedule B)
- Eliminated old/new capital designation
- Same standard cost centers as in the old form set
 - Recommend setting cost center structure which fits your organization



Home Office Expenses

- Tip: Use home office grid to identify home office expenses and determine the best method of allocating allowable expenses

Dept	Dept Name	Statistic Used	Hospital #1	Hospital #2	Hospital #3	Assisted Living	Foundation
1	Administration		X	X	X	X	X
2	Clinic Administration		X	X	X		
3	Revenue Cycle		X	X	X		
4	Finance		X	X	X	X	X
5	IT		X	X	X	X	X
6	Human Resources		X	X	X	X	X
7	Purchasing		X	X	X		
8	Laboratory Directorship		X	X	X		



Home Office Expenses

- Tip: Use space grid to identify the location of department to ensure cost is on the home office cost report and allocated most appropriately
 - Should we subscript capital cost centers?
 - Do we need to add cost from Hospital #1 to the home office cost report?

Dept	Dept Name	Location	Home Office Capital Line & Statistic	Hospital #1	Hospital #2	Hospital #3	Assisted Living	Foundation
1	Administration	Hospital #1		X	X	X	X	X
2	Clinic Administration	Corp Building A		X	X	X		
3	Revenue Cycle	Corp Building B		X	X	X		
4	Finance	Hospital #1		X	X	X	X	X
5	IT	Corp Building A		X	X	X	X	X
6	Human Resources	Corp Building A		X	X	X	X	X
7	Purchasing	Corp Building B		X	X	X		
8	Laboratory Directorship	Corp Building B		X	X	X		

Cost Allocation Methodologies

Most sophisticated (Direct) to least sophisticated (Pooled)

Methodology	Former Schedule	New Schedule
Direct	E Series	B (Capital) & B-1 (Non-Capital)
Functional	F Series	C (Capital) & D (Non-Capital)
Pooled	G Series	E (Double Allocation) & E-1 (Component Allocation)



Cost Allocation Methodologies: Direct

- Allocate allowable home office cost directly attributable to a specific entity of the chain organization
 - Assign costs incurred for interest expense paid by the home office related solely to a specific entity(s)
 - Assign costs to the entity(s) where a specific employee(s) worked
 - Assign rental costs incurred by the home office which is directly attributable to an entity(s)



Cost Allocation Methodologies: Direct

- Here is an example of Schedule B, Part I where building expenses are directly attributable to home office entities.

DIRECT ALLOCATION OF CAPITAL RELATED COSTS					HOME OFFICE NUMBER:	HB-0000
	COMPONENT NAME	CAPITAL RELATED				OT
		CCN	CRC-B&F	CRC-ME	INSURANCE PREMIUMS-OTHER CRC	
		0	1.00	2.00	4.00	
PART I - HEALTHCARE PROVIDER COMPONENTS						
1.00	PPS HOSPITAL	240000	1,000,000		0	0
2.00	CAH HOSPITAL	241300	500,000		0	0
3.00	PSYCH HOSPITAL	244000	200,000		0	0
4.00			0		0	0
5.00			0		0	0
6.00			0		0	0
7.00			0		0	0
8.00			0		0	0
9.00			0		0	0
10.00			0		0	0
11.00			0		0	0
12.00			0		0	0
13.00			0		0	0
14.00			0		0	0
15.00			0		0	0
16.00			0		0	0
17.00			0		0	0
18.00			0		0	0
19.00			0		0	0
20.00			0		0	0
21.00			0		0	0

DIRECT ALLOCATION OF CAPITAL RELATED COSTS					HOME OFFICE NUMBER:	HB-0000	Period	Schedule B, Part II	
	COMPONENT NAME	CAPITAL RELATED			OTHER CAPITAL RELATED			TOTAL	
		CRC-B&F	CRC-ME	INSURANCE PREMIUMS-OTHER CRC	TAXES & LICENSES-OTHER CRC	ALL OTHER CAPITAL RELATED COSTS			
		0	1.00	2.00	4.00	5.00	6.00	7.00	
PART II - NON-HEALTHCARE COMPONENTS									
1.00	ASSISTED LIVING		500,000	0	0	0	0	500,000	1.00
2.00	FOUNDATION		0	0	0	0	0	0	2.00
3.00			0	0	0	0	0	0	3.00
4.00			0	0	0	0	0	0	4.00
5.00			0	0	0	0	0	0	5.00
6.00			0	0	0	0	0	0	6.00
7.00			0	0	0	0	0	0	7.00
8.00			0	0	0	0	0	0	8.00



Cost Allocation Methodologies:

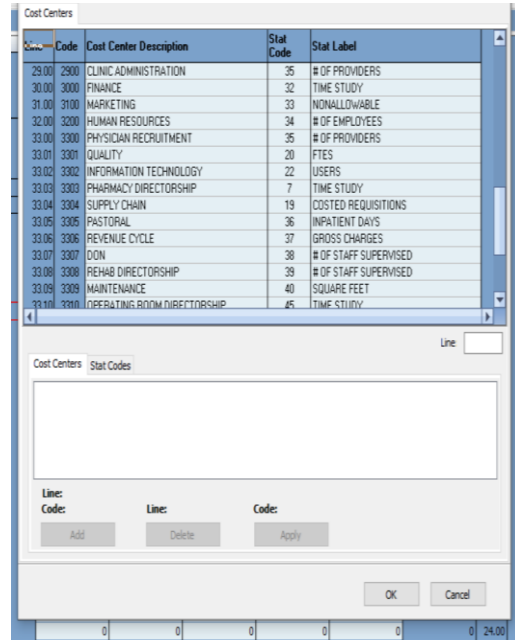
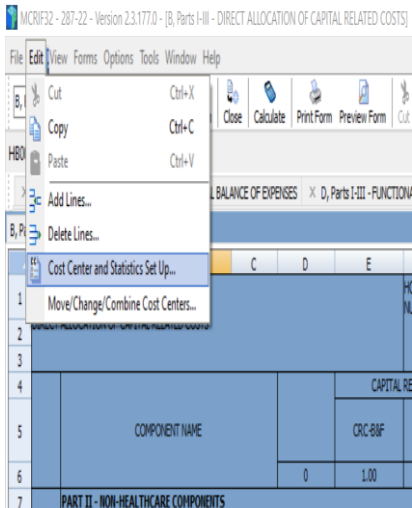
Functional

- Allocate allowable cost using a statistical basis
- Functional statistic must stay the same between periods
- **Request a change in statistic in writing within 120 days after the beginning of the cost reporting period for which this is being requested**
 - Review statistics periodically for appropriateness



Cost Allocation Methodologies: Functional

Select statistics in HFS (similar to Worksheet B-1)



Cost Allocation Methodologies: Functional

- Use home office grid to help determine which departments/lines could use a functional allocation basis

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS						
	COMPONENT NAME	INFORMATION TECHNOLOGY (USERS)	PHARMACY DIRECTORSHIP (TIME STUDY)	SUPPLY CHAIN (COSTED REQUISITIONS)	PASTORAL (INPATIENT DAYS)	REVENUE CYCLE (GROSS CHARGES)
		33.02	33.03	33.04	33.05	33.06
PART I - HEALTHCARE PROVIDER						
1.00	PPS HOSPITAL	2,500	60	6,000,000	30,000	100,000,000
2.00	CAH HOSPITAL	450	30	2,000,000	5,000	20,000,000
3.00	PSYCH HOSPITAL	250	10	2,500,000	3,000	15,000,000
4.00		0	0	0	0	0

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS							
	COMPONENT NAME	QUALITY (FTEs)	INFORMATION TECHNOLOGY (USERS)	PHARMACY DIRECTORSHIP (TIME STUDY)	SUPPLY CHAIN (COSTED REQUISITIONS)	PASTORAL (INPATIENT DAYS)	REVENUE CYCLE (GROSS CHARGES)
		33.01	33.02	33.03	33.04	33.05	33.06
PART II - NON-HEALTHCARE COMPONENTS							
1.00	ASSISTED LIVING	0	200	0	400,000	1,000	0
2.00	FOUNDATION	0	25	0	0	0	0
3.00		0	0	0	0	0	0
4.00		0	0	0	0	0	0



Cost Allocation Methodologies: Pooled

- All allowable costs not allocated via direct or functional allocations are distributed to the entities by the pooled allocation basis
- Allowable statistics for pooled allocation:
 - Inpatient Days: Use if the home office consists of comparable inpatient healthcare providers
 - Total Costs (excluding home office cost): Use if providers are not comparable inpatient healthcare providers
 - Other sophisticated basis if approved by the MAC
 - **Request in writing within 120 days after the beginning of the cost reporting period for which this is being requested**



Cost Allocation Methodologies: Pooled

- Double allocation between healthcare provider components, non-healthcare components and region/division components – recommend using cost less home office allocations as the basis
 - Only complete Schedule E if there are non-healthcare or region/division components

ALLOCATION OF POOLED COSTS FOR DOUBLE ALLOCATION METHOD			HOME OFFICE NUMBER:	HE-0000	Period	From: 10/01/2022		To: 09/30/2023		Schedule E		
DESCRIPTION	ALLOCATION STATISTICS	ALLOCATION RATIO	CAPITAL RELATED		NON-CAPITAL RELATED						INTEREST INCOME	
			CRC-80F	CRC-ME	SALARIES OF OFFICERS	SALARIES OF OFFICERS	REVENUE CYCLE SALARIES	IT SALARIES	SALARIES AND WAGES OF OTHERS	ALL OTHER NON-CRC		
			1.00	2.00	3.00	4.00	5.00	5.01	5.02	5.03		6.00
1.00 Healthcare Provider Components	300,000,000	0.967742	2,709,678	1,935,484	2,903,226	0	0	0	0	0	11,269,356	0
2.00 Non-Healthcare Components	10,000,000	0.032258	90,322	64,516	96,774	0	0	0	0	0	375,644	0
3.00 Region / Division Components	0	0.000000	0	0	0	0	0	0	0	0	0	0
4.00 Total	310,000,000	1.000000	2,800,000	2,000,000	3,000,000	0	0	0	0	0	11,645,000	0
Enter label for basis of allocations:												
100.00 TOTAL COSTS												



Cost Allocation Methodologies: Pooled

- Enter statistics for each part to allocate the attributed expense from Schedule E

ALLOCATION OF POOLED COSTS TO COMPONENTS				
	COMPONENT NAME	CCN	ALLOCATION STATISTICS	ALLOCATION RATIO
		0	1.00	2.00
PART I - HEALTHCARE PROVIDER				
1.00	PPS HOSPITAL	240000	200,000,000	0.666667
2.00	CAH HOSPITAL	241300	50,000,000	0.166667
3.00	PSYCH HOSPITAL	244000	50,000,000	0.166667
4.00			0	0.000000
5.00			0	0.000000

ALLOCATION OF POOLED COSTS TO COMPONENTS				
	COMPONENT NAME		ALLOCATION STATISTICS	ALLOCATION RATIO
		0	1.00	2.00
PART II - NON-HEALTHCARE COMPONENTS				
1.00	ASSISTED LIVING		8,000,000	0.800000
2.00	FOUNDATION		2,000,000	0.200000
3.00			0	0.000000

Testing Cost Allocation Methodologies

- Test various bases to determine the most appropriate one for reporting
 - Example: Pooled allocations for capital related costs, salaries of officers, clinic administration, finance and various other stats.
 - PPS = \$31,054,905; CAH = \$7,526,087; Psych = \$6,057,980; Assisted Living = \$1,675,980; Foundation = \$185,048

LOCATION OF POOLED COSTS TO COMPONENTS					HOME OFFICE NUMBER:	HB-0000	Period		Schedule E-1, Part I	
COMPONENT NAME	CON	ALLOCATION STATISTICS	ALLOCATION RATIO	CAPITAL RELATED		NON-CAPITAL RELATED			INTEREST INCOME	
				CRC-B&F	CRC-ME	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	ALL OTHER NON-CRC		
	0	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	
PART I - HEALTHCARE PROVIDER										
1.00 PPS HOSPITAL	240000	200,000,000	0.666667	1,806,450	1,290,322	1,935,482	0	7,512,896	0	1.0
2.00 CAH HOSPITAL	241300	50,000,000	0.166667	451,614	322,581	483,872	0	1,878,230	0	2.0
3.00 PSYCH HOSPITAL	244000	50,000,000	0.166667	451,614	322,581	483,872	0	1,878,230	0	3.0
4.00		0	0.000000	0	0	0	0	0	0	4.0

ALLOCATION OF POOLED COSTS TO COMPONENTS					HOME OFFICE NUMBER:	HB-0000	Period		Schedule E-1, Part II	
COMPONENT NAME		ALLOCATION STATISTICS	ALLOCATION RATIO	CAPITAL RELATED		NON-CAPITAL RELATED			INTEREST INCOME	
				CRC-B&F	CRC-ME	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	ALL OTHER NON-CRC		
		0	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00
PART II - NON-HEALTHCARE COMPONENTS										
1.00 ASSISTED LIVING		8,000,000	0.800000	72,258	51,613	77,419	0	300,515	0	1.0
2.00 FOUNDATION		2,000,000	0.200000	18,064	12,903	19,355	0	75,129	0	2.0
3.00		0	0.000000	0	0	0	0	0	0	3.0



Testing Cost Allocation Methodologies

- Impact of allowable cost if change the following:
 - Clinic Administration to # of Providers
 - Finance to Time Study
 - PPS = \$30,544,520; CAH = \$8,276,303; Psych = \$5,878,015; Assisted Living = \$1,649,709; Foundation = \$151,453

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS													NUMBER
COMPONENT NAME	CLINIC ADMINISTRATION (# OF PROVIDERS)	FINANCE (TIME STUDY)	MARKETING (NONALLOWABLE)	HUMAN RESOURCES (# OF EMPLOYEES)	PHYSICIAN RECRUITMENT (# OF PROVIDERS)	QUALITY (FTES)	INFORMATION TECHNOLOGY (USERS)	PHARMACY DIRECTORSHIP (TIME STUDY)	SUPPLY CHAIN (COSTED REQUISITIONS)	PASTORAL (INPATIENT DAYS)	REVENUE CYCLE (GROSS CHARGES)	DON (# OF STAFF SUPERVISED)	DORE (# SLE)
	29.00	30.00	31.00	32.00	33.00	33.01	33.02	33.03	33.04	33.05	33.06	33.07	
PART I - HEALTHCARE PROVIDER													
1.00 PPS HOSPITAL	500	50	0	3,000		500	2,500	2,500	60	6,000,000	30,000	100,000,000	100
2.00 CAH HOSPITAL	200	30	0	500		200	450	450	30	2,000,000	5,000	20,000,000	30
3.00 PSYCH HOSPITAL	100	20	0	300		100	250	250	10	2,500,000	3,000	15,000,000	20
4.00	0	0	0	0		0	0	0	0	0	0	0	0

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS													NUMBER
COMPONENT NAME	CLINIC ADMINISTRATION (# OF PROVIDERS)	FINANCE (TIME STUDY)	MARKETING (NONALLOWABLE)	HUMAN RESOURCES (# OF EMPLOYEES)	PHYSICIAN RECRUITMENT (# OF PROVIDERS)	QUALITY (FTES)	INFORMATION TECHNOLOGY (USERS)	PHARMACY DIRECTORSHIP (TIME STUDY)	SUPPLY CHAIN (COSTED REQUISITIONS)	PASTORAL (INPATIENT DAYS)	REVENUE CYCLE (GROSS CHARGES)	DON (# OF STAFF SUPERVISED)	DORE (# SLE)
	29.00	30.00	31.00	32.00	33.00	33.01	33.02	33.03	33.04	33.05	33.06	33.07	
PART II - NON-HEALTHCARE COMPONENTS													
1.00 ASSISTED LIVING	0	10	0	100		0	0	200	0	400,000	1,000	0	0
2.00 FOUNDATION	0	1	0	10		0	0	25	0	0	0	0	0
3.00	0	0	0	0		0	0	0	0	0	0	0	0
4.00	0	0	0	0		0	0	0	0	0	0	0	0
5.00	0	0	0	0		0	0	0	0	0	0	0	0



Testing Cost Allocation Methodologies

- What is the most appropriate way of getting costs to the home office entities?
 - Often, the most sophisticated allocation basis available is most appropriate.
- How does the change in home office allocations impact reimbursement of healthcare entities?
 - Cost-based reimbursement
 - In the previous example, more expense (\$750,216) is allocated to the cost-based CAH
 - Cost-to-charge ratios used in rate setting (like outliers)
 - Wage index
 - Medicaid DSH cost calculation
 - Other



Home Office Costs in Wage Index

- Wage index – how to report salaries and wage-related costs:
 - Use allocation methods determined in the cost report to identify wages, hours and benefits attributable to individual entities
 - Use only the pooled allocation basis to identify wages, hours and benefits attributable to individual entities
 - New summary (Schedule F-1) with salaries

SUMMARY OF NON-CAPITAL RELATED COSTS							HOME OFFICE NUMBER:
	COMPONENT NAME	CCN	SALARIES				DIRECT
			DIRECT	FUNCTIONAL	POOLED	SUBTOTAL SALARIES	
		0	1.00	2.00	3.00	4.00	5.00
PART I - HEALTHCARE PROVIDER							
1.00	PPS HOSPITAL	240000	0	6,167,591	1,935,482	8,103,073	
2.00	CAH HOSPITAL	241300	0	1,727,883	483,872	2,211,755	
3.00	PSYCH HOSPITAL	244000	0	1,104,526	483,872	1,588,398	
4.00			0	0	0	0	



Common Opportunities/Pitfalls



Common Opportunities/Pitfalls

- Not all management fees are allowable
- Owner compensation is allowable only to the extent that it is related to patient care and is reasonable
- Varying rules around organization, startup, and corporate acquisition costs
- Allowability of interest income/expense depends on source and use
 - Interest income offsettable against interest expense is adjusted on Schedule A, line 28 and flows to Schedule F-2



Common Opportunities/Pitfalls

- Nonconcurrent cost reporting periods
- Be familiar with any applicable state Medicaid regulations for chain components
 - Some states place a cap on home office costs allowable in the Medicaid cost report
- Space cost for home office personnel
 - Is the space on a facility cost report?
- Are there shared services which should be reported on the home office cost report but on the individual entity's books?





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Questions?

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