

COMMONWEALTH OF KENTUCKY

Cabinet for Health & Family Services

Department for Medicaid Services

COMMUNITY MENTAL HEALTH CENTER

COST REPORT INSTRUCTIONS

November 2018 Edition

COMMUNITY MENTAL HEALTH CENTER COST REPORT

INTRODUCTION TO THE COMMUNITY MENTAL HEALTH CENTER COST REPORT:

The Annual Community Mental Health Center (CMHC) Cost Report provides for the submission of cost and statistical data which shall be used for cost settlements and to establish interim payment rates. All CMHC facilities participating in the Kentucky Medicaid Program shall utilize this cost report form and process. All required information is pertinent and shall be submitted as accurately and completely as possible.

The Kentucky Medicaid program shall require all CMHC providers to follow direct costing principles in preparation of annual cost reports. Direct costing means the process of directly attributing specific dollars incurred in operations to the CMHC, based upon the actual costs to each cost center. Thus, the cost reporting system requires accurately captured costs to be reflected individually for CMHC cost centers. It is the intent of the Medicaid Program that the costs reflected for the CMHC operations are as accurate as possible and not distorted via cost allocations. For direct and indirect personnel costs, 100% time reporting methods shall be utilized to group/report expenses to each cost category. Detailed documentation shall be available upon request.

Costs shall be reported as they appear in the provider's accounting records and books. Schedules A-1 and C of the cost report have been provided to make any necessary accounting adjustments or reclassifications to ensure proper cost finding.

Direct costing shall not be utilized on a selective basis in order to distort the cost finding process.

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COVER PAGE SCHEDULE:

- A. Enter the cost report period begin date and end date.
- B. Enter the provider name for the CMHC.
- C. Enter the provider number for the CMHC and any other licensed provider types.
- D. Enter the address of the applicable board.

SCHEDULE A – UNIT COST INFORMATION:

- A. Providers must create a crosswalk of trial balance expenses, indicating the cost report line and column of the cost report where each trial balance expense is reported. Additionally, if facility-specific unit codes are available, enter in column 2. Any entered unit codes will automatically update through all cost report schedules.
- B. Review cost center descriptions in column 3. Standardized cost centers applicable to all CMHCs have been pre-populated in white. If your facility has additional custom cost centers, blank cells can be utilized, which will automatically update through all cost report schedules. All applicable non cost-settled and non-allowable cost centers must be added to the cost report to present total facility costs. This is necessary to ensure that administrative costs are appropriately allocated to all functional areas of the facility's operations.
- C. Enter personnel costs (salary, fringe, and retirement contributions) in columns 4-6, respectively. For direct and indirect personnel costs, 100% time reporting methods shall be utilized to group/report expenses to each cost category. Detailed documentation shall

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be available upon request. Column 7 will automatically summarize columns 4-6 to display total personnel costs.

- D. Facility costs (which include capital costs, depreciation, and property, plant, and equipment costs) should be entered in columns 8 and 9. If costs are directly assigned, enter the facility costs in column 8. If costs are allocated, enter the facility costs in column 9.
- E. Travel and transportation costs should be entered in columns 10 and 11. If costs are directly assigned, enter the travel and transportation costs in column 10. If costs are allocated, enter the travel and transportation costs in column 11.
- F. Enter costs for subcontracted services in column 12.
- G. Enter all other operating costs in column 13.
- H. The column 14 subtotal before adjustments equals the sum of columns 7 through 13.
- I. Column 15 shows any adjustments to the cost report from Schedule C, column 12 of the cost report. Additions to cost are shown as positive numbers and subtractions are shown as negative numbers.
- J. The column 16 subtotal after adjustments equals the sum of columns 14 and 15.
- K. Column 17 is the total of all "local" reclassifications or allocations for each cost center which have been entered on Schedule A-1 of the cost report. Increases are shown as positive numbers (from Schedule A-1, column 11) and decreases are shown as negative numbers (from Schedule A-1, column 12).
- L. Column 18 is total Schedule A cost and equals the sum of columns 16 and 17.

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M. Note regarding outreach services: Outreach services should be either directly reported to Schedule A, line 36 or to a cost center falling under the “Non-Cost Settled Services” or “Non-Reimbursable Cost Centers” heading. If these services are provided in connection with a specific grant, it is expected that costs will be offset against grant revenue received. Some examples of outreach services include, but are not limited to, supporting Medicaid enrollment efforts, helping connect Medicaid recipients to care options, and service promotion through posters, fact sheets, or social media.

N. Note regarding indirect costs: Indirect costs shall be calculated utilizing the approved Federal indirect rate, if the provider has an approved federal indirect rate. Providers shall include in indirect costs on line 1 of the cost report the same category of costs identified as indirect within the approved federal indirect rate supporting documentation. Similarly, direct costs shall be those costs identified as direct within the approved federal indirect rate. The Federal indirect rate will be applied to the same category of expenses identified as direct during the Federal rate determination.

For providers that do not have a federal indirect rate, indirect costs are defined as those costs of an organization which are not specifically identified with a particular project, service, program, or activity but nevertheless are necessary to the general operation of the organization and the conduct of the activities it performs. The actual allowable cost of indirect services as reported on the cost report shall be allocated to direct cost centers based on accumulated cost if no Federal indirect rate is available.

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Lines 2 through 6 may also be used for indirect cost reporting; however, all costs on these lines should be reclassified to either line 1 or lines 7 through 269 on Schedule A-1 for proper cost allocation.

SCHEDULE A-1 – LOCAL RECLASSIFICATIONS AND ALLOCATIONS:

Schedule A-1 is used for cost allocations/reclassifications between cost centers on a functional basis. If no functional basis exists, a pooled allocation of administrative cost based on accumulated cost will be performed on Schedule B.

- A. Column 1 displays the line number of each adjustment.
- B. Enter the adjustment number in column 2. Every line of an individual adjustment will need an adjustment number. For example, if \$5,000 was being reclassified from Schedule A, line 8, with \$2,500 each going to lines 10 and 11, three lines would show adjustment #1.
- C. In column 3, the cost center description will be automatically populated based on the line number entered in column 5 (Step D below).
- D. Enter the supporting work paper reference in column 4.
- E. Enter each cost center line number (from Schedule A, column 1) involved in the allocation on a separate line in column 5. In the example in step A, there would be three cost centers utilized: 8, 10, and 11.
- F. Column 6 will be automatically populated with Schedule A, column 17. All increases/decreases that occur on Schedule A-1 will be summarized on Schedule A, column 17.

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- G. In column 7, choose the appropriate allocation basis from the following options: Square Footage, Accumulated Cost, Direct Cost, Units of Service, Time Spent, Payroll Dollars, or Payroll Percentage. All allocation bases within one adjustment must be identical.
- H. If accumulated cost is the chosen allocation basis in column 7, the form will populate the appropriate statistic in column 8 (from Schedule A, column 16, plus any previous A-1 allocations affecting the given cost center). If any other allocation basis is chosen in column 7, column 8 will say "INPUT". The appropriate statistic must then be keyed in column 8 in place of the formula.
- I. Column 9 will automatically sum the Column 8 statistic for all lines with the same Column 2 adjustment number and a Column 13 indicator of yes.
- J. Column 10 will automatically divide the Column 8 cost center allocation statistic by the Column 9 total allocation statistic.
- K. Column 11 will automatically apportion Column 12 amounts using the allocation percentages calculated in Column 10.
- L. In column 12, input as a negative number the amount of cost to decrease for a given cost center(s). In the example above, -\$5,000 would be keyed for the Schedule A, line 8 row.
- M. In column 13, choose "Y" if costs should be allocated to the Schedule A line referenced in column 5. Choose "N" if costs should not be allocated to the Schedule A line referenced in column 5. In the example above, the adjustment to Schedule A, line 8 would be marked "N" and the adjustments to Schedule A, lines 10 and 11 would be marked "Y". After the completion of Step I, column 9 will automatically subtotal the allocation statistic from column 8 for every line of the adjustment where column 13 is marked "Y". In column 10,

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a pro-rata share factor will be determined for each applicable line. In column 11, the increase to each line will be calculated.

- N. After all lines of a given allocation have been entered, add an adjustment description to column 3 explaining the purpose of the reclassification or allocation. (Note: The formula in column 3 should be overwritten with the adjustment description.)

SCHEDULE B – ADMIN STEPDOWN:

- A. In column 4, total costs from Schedule A, column 18 will be populated.
- B. In column 5, cost for subcontracted services will be populated from Schedule A, column 12.
- C. Column 6 will be calculated by subtracting column 5 subcontract cost from column 4 total costs. This step is performed to exclude subcontract cost from the allocation basis for administrative costs.
- D. At the top of column 7, if the facility has a federally-approved indirect cost rate, key the approved rate in cell G9. The calculated administrative cost rate will populate in cell G10.
- E. If a federal indirect rate has been keyed, column 7 admin costs will be determined by multiplying column 6 costs (net of subcontracts) times the federal indirect rate. If no federal indirect rate is keyed, column 7 admin costs will be determined by multiplying column 6 costs (net of subcontracts) times the calculated indirect rate.
- F. Column 8 total allowable expenses equals the sum of column 5 subcontract cost, column 6 net costs, and column 7 administrative costs.
- G. In column 9, choose “Y” if admin costs should be allocated to this cost center. Choose “N” if admin costs should not be allocated to this cost center. Additional supporting

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documentation will be required to justify the exclusion of admin costs for any line. For providers with an indirect rate, any line not considered direct during the Federal indirect rate determination should be marked as “N” to ensure that no indirect cost is attributed to that line.

SCHEDULE B - ADMIN STEPDOWN (LIMITED):

No input is required on this schedule. The purpose of this schedule is to automatically pull values from the non-limited Schedule B and apply the DBHDID imposed 10% limit on admin costs. This will not affect the DMS cost settlement calculations but will be used by DBHDID for their purposes. Also see Schedule F-1, column 7.

SCHEDULE C – TOTAL NON-ALLOWABLE EXPENSES:

- A. In columns 4-11, enter as a negative number non-allowable expenses related to out-of-state travel, bad debts, in-kind donations, interest expense offsets, management vehicle cost, program income, restricted donations, and other non-allowable items.
- B. Column 12 summarizes all non-allowable amounts, which will populate Schedule A, column 15.

SCHEDULE D – TOTAL UNITS OF SERVICE:

- A. Enter Medicaid units of service in columns 4 and 5. Use column 4 for traditional Medicaid (non-managed care) services. Use column 5 for Medicaid managed care services.
- B. Units of service for services rendered to waiver recipients for the Supports for Community Living (SCL), Michelle P, SCL Consumer Directed Option (CDO), Michelle P CDO, Enhanced Transition (ET), and Acquired Brain Injury (ABI) waivers should be entered in columns 6-11, respectively.

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- C. Enter units of service related to the Department for Behavioral Health, Developmental and Intellectual Disabilities in column 12.
- D. Enter all other units of service in column 13.
- E. Total units of service will be summarized in column 14.

SCHEDULE E – TITLE XIX COST PER SERVICE:

- A. Total XIX cost will be populated in column 4 (from columns 10 and 11 of Schedule E-1).
- B. Total XIX units of service will be populated in column 5 (from columns 4 and 5 of Schedule D).
- C. Average XIX cost per unit will be calculated by dividing column 4 XIX cost by column 5 XIX units.

SCHEDULE E-1 – TITLE XIX COST APPORTIONMENT:

- A. Medicaid units of service will be populated in columns 4 and 5 (from Schedule D, columns 4 and 5).
- B. Total units of service will be populated in column 6 (from Schedule D, column 14).
- C. In columns 7 and 8, Medicaid utilization percentages will be determined. For example, column 4 non-MCO units will be divided by column 6 total units to determine the non-MCO utilization percentage.
- D. Total allowable costs will be populated in column 9 (from Schedule B, column 8).
- E. In columns 10 and 11, Medicaid cost will be apportioned. For example, the column 7 utilization percentage will be multiplied by the column 9 total cost to determine non-MCO cost in column 10.

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SCHEDULE F – DBHDID COST PER SERVICE:

- A. Total DBHDID cost will be populated in column 4 (from column 8 of Schedule F-1).
- B. DBHDID adjustments to cost will be populated in column 5 (increases from Schedule F-2, column 6 and decreases from Schedule F-2, column 7).
- C. Adjusted DBHDID cost will be calculated in column 6 (column 4 plus column 5).
- D. Total DBHDID units of service will be populated in column 7 (from column 14 of Schedule D).
- E. Average DBHDID cost per unit will be calculated in column 8 by dividing column 6 DBHDID cost by column 7 DBHDID units.

SCHEDULE F-1 – DBHDID COST APPORTIONMENT:

- A. DBHDID units of service will be populated in column 4 (from Schedule D, column 14).
- B. Total units of service will be populated in column 5 (from Schedule D, column 16).
- C. In column 6, the DBHDID utilization percentage will be determined by dividing column 4 DBHDID units by column 5 total units.
- D. Total DBHDID allowable costs will be populated in column 7 (from Schedule B (Limited), column 8).
- E. In column 8, DBHDID cost will be apportioned by multiplying the column 6 utilization percentage by column 7 total allowable cost.

SCHEDULE F-2 – DBHDID ADJUSTMENTS:

- A. In column 3, enter a brief explanation for the adjustment
- B. If applicable, enter the supporting work paper reference in column 4. This column is not required.

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- C. In column 5, enter the line number for the cost center to which the adjustment applies.
- D. In column 6, key as a positive value any increase in costs applicable to the adjustment.

These amounts will automatically flow to Schedule F, column 5.

- E. In column 7, key as a negative value any decrease in costs applicable to the adjustment.

These amounts will automatically flow to Schedule F, column 5.

SCHEDULE G – GRANT IDENTIFICATION:

- A. Enter the grant identification number in column 1.
- B. In column 2, enter a description of the grant and related services.
- C. Enter the source of the grant in column 3.
- D. In column 4, enter the total dollar amount of the grant.