

Worksheet 3
HOME OFFICE COST REPORT

General Instructions

Worksheet 3, Home Office Cost Report, is a supplementary document to the Title XIX cost report. The information requested on this worksheet is to support the costs incurred by the Home Office on behalf of the chain components (individual facilities managed by Home Office), and to support and verify the appropriateness of these costs. This cost report form should be prepared for any related party organization that provides products and/or services to a nursing facility, so that the related party organization costs may be appropriately allocated to the individual providers. For simplicity, the related party organization is referred to as a "Home Office" in these instructions.

The Home Office Cost Report must be filed using the accrual basis of accounting and should cover the same period as the fiscal year of the nursing home provider. Any changes in accounting procedures and/or statistical bases utilized from the prior year must be detailed on a separate sheet, with an explanation of the change, and submitted with the cost report. All schedules of the form must be completed or marked N/A if not applicable. **ROUND ALL AMOUNTS TO THE NEAREST DOLLAR.**

If an organization wishes, the Medicare (Title XVIII) Home Office Cost Report may be submitted in lieu of Worksheet 3.

Instructions for Completing Worksheet 3

- Line 1 Enter the Home Office name.
- Line 2 Enter the current mailing address of the Home Office.
- Line 3 Enter the current telephone number, including the area code, of the Home Office
- Line 4 Enter the period of this cost report. This should be for the same fiscal year as the related nursing home providers.
- Line 5 Check the appropriate box for the organization type of the Home Office.
- Line 6 Enter the total number of nursing homes and associated total licensed beds for related nursing homes on the "Owned and Managed" line. Enter the total number of nursing homes and associated total licensed beds for non-related Line 6 (Continued) nursing homes on the "Managed Only" line. The totals should reflect the status as of the end of the reporting period.
- Line 7 List and briefly describe other business interests. This would include restaurants, leasing companies, medical supply companies, insurance companies and whether nursing Facilities are covered by the insurance company, etc.
- Line 8 The certification statement must be completed. Any cost report filed without a completed and notarized certification statement is considered incomplete.

Statement of Revenues and Expenses

This portion of the worksheet serves as a compilation of revenues, costs incurred and cost adjustments in accordance with 13 CSR 70-10.015. This schedule is to be completed as follows:

Column 1 - Description

Enter descriptions of "other" revenues (lines 18-21) and "other" expenditures (lines 55-57). If additional lines are needed, please attach a separate schedule.

Column 2 - Per General Ledger

The Home Office revenues and expenses, as shown in the Home Office ledgers and records, are to be recorded in this column according to the line descriptions in Column 1.

Revenues from health care related services are to be reported on lines 9 through 14. These account totals must agree with the "Allocation of Revenues" schedule, line 51, which details revenue by individual chain components. Other income items would be recorded as described on lines 15 through 21, with a written description for "Other." Record total revenues on line 22. Expenses are recorded according to the line item descriptions. Record total expenditures on Line 58.

Column 3 - Adjustments to Allowable Cost

Enter all other revenue offsets to revenues and corresponding offsets to expenses. Enter all adjustments for non-allowable, non-related and non-reimbursable expenses. Reference should be made to 13 CSR 70-10.015 for guidelines on principles of reimbursable and allowable costs. Generally, costs that would not be reimbursable if incurred by a nursing facility provider are not reimbursable when incurred by the Home Office.

Other revenue offsets are to be done in the same manner as on the Title XIX cost report. Offsetting entries are to be made to the revenue line item and appropriate expense item. Expense items not allowable are offset from the expense and identified on page 27 of the Home Office cost report as non-allowable cost adjustments. The descriptions on this schedule are the most common activities that affect costs or are not related to patient care. This is not an all inclusive list.

Column 4 - Direct Allocation of Expenses

Enter the expenses that are directly allocated from the Home Office to a particular chain component. Examples are depreciation on assets recorded on the books of the Home Office, but utilized by only one individual chain component; interest on mortgages held for specific chain components; and administrators' salaries paid by the Home Office but are directly identifiable to a chain component. The amounts recorded under this column should be carried forward to the schedule of Direct Allocation of Expenses, page 29, and listed by appropriate chain component.

Column 5 - Adjusted Expenses to be Allocated

Enter the difference between the amount shown in Column 2 less the amounts in Columns 3 and 4. This amount will equal the allowable expenses to be allocated to the chain components. The total amount, line 58, is to be carried forward to the schedule Allocation of Expenses and Basis, page 30.

Non-Allowable Cost Adjustments

Description

The most common items that are non-allowable are listed in this column. If an item is non-allowable and cannot properly be recorded under any of the descriptions provided, enter it on line 18, "Other," with a brief description.

Basis

Enter the basis for allocating the non-allowable expense. In most cases, actual will be the basis; however, in some instances an allocation of an individual expense, such as accounting for acquisition expenses or non-health care projects, may require hours spent or fees charged as the basis for allocation of the non-allowable expense.

Amount

Enter the actual amount to be adjusted for the non-allowable cost item. This amount would also be reflected in column 3, Adjustments to Allowable Cost, on the Statement of Revenues and Expenses Schedule, page 26.

Line Number

Enter the appropriate line number from the Statement of Revenues and Expenses schedule, page 26.

Comment

This column is provided for Home Office use. A comment regarding basis, if other than actual, is used, will be needed. An explanation of the statistical data used in determining the non-allowable cost must also be included under this column.

Identification of Revenues

This schedule details the revenue for all the services provided by the Home Office to its individual chain components. Each chain component the Home Office provides services to should be listed in column 1, Home, under related or non-related as defined in 13 CSR 70-10.015. The revenues from each chain component are to be recorded under the appropriate column, 2 through 7, by service type. An identification of Other, column 7, should be listed. Revenue by chain components must agree with Schedules B and G for each provider's individual cost report. The total, line 51, by service type must agree with the revenue reported on the Statement of Revenues and Expenses, page 26, lines 9 through 14.

Direct Allocation of Expenses

This schedule provides for the direct allocation of expenses to a particular chain component, as if the chain component had incurred the cost itself. Each chain component to which a direct allocation(s) is made should be listed in column 1 as related or non-related as defined in 13 CSR 70-10.015. Each type of expense and the basis of allocation should be listed in a separate column and described in the heading at the top of each. The amount should be recorded under each column by the appropriate chain component. If necessary, attach a separate sheet to describe the basis of allocation, if a basis other than actual is used, and/or if more than four expense types are directly allocated. The totals for each column of expense should be recorded on line 51 and each chain component's direct allocated expenses should be recorded under the "Total" column. The totals on line 51 should be recorded on the Statement of Revenues and Expenses, page 26, under the Direct Allocation of Expenses column for the appropriate expenditure. The line totals for chain components should be recorded on the Allocation of Expenses and Basis, page 30, under the column "Direct Expenses" for the appropriate chain component.

Allocation of Expenses and Basis

This schedule allocates the adjusted allowable expenses from the Statement of Revenues and Expenses, page 26 to the individual chain components. Each chain component that received the services or products from the home office should be listed in column 1 under related or non-related as defined in 13 CSR 70-10.015. Column 2, "Basis of Allocation," should be used to detail for each chain component the statistical information (inpatient days, bed days, etc.) that is used to allocate the allowable costs of the Home Office. This column amount should be totaled and recorded on line 51. A percentage of the total is to be calculated for each chain component and recorded under column 3, "Percentage." If all allowable expenses are not allocated on the same basis, expenses with a similar allocation basis should be grouped and shown on a separate sheet with full explanations. The allocation basis must be consistent with the prior year. A written request to change an allocation basis must be submitted and approved by the Department prior to the end of the Home Office's fiscal year.

The total, line 58 of Adjusted Expenses to be Allocated column on the Statement of Revenues and Expenses, page 26, should be recorded on line 51, Total, under column 4, Allocated Expenses. The total should be multiplied by the respective percentages calculated under column 3 for each chain component. The sum of Allocated Expenses and Direct Expenses should be recorded under column 6, Total, for each chain component. This amount is the allowable Home Office cost for each chain component and should be reflected in each individual provider's Title XIX cost report, Schedule B and Schedule G.

Balance Sheet

Enter the current and prior fiscal year end general ledger balances for assets, liabilities and equity for the Home Office in the appropriate columns. In general, the account descriptions follow a general standard chart of accounts except for certain items which are required to be detailed, i.e., receivables, payables, fixed assets, etc.

Statement of Owners/Directors Compensation

This schedule is to identify all compensation the home office pays to owners and directors and should be completed as follows:

The first five columns are self-explanatory and should be completed fully.

Other Compensation

This includes amounts paid by the home office for the personal benefits of the owner, cost of assets and services that the owner received from the home office at no charge, etc.

Total Compensation

Enter the sum of the amounts reported as "Salaries and Wages" and "Other Compensation."

Maximum Allowable Compensation

Enter the amount of maximum allowable compensation based on the total number of beds and the duties performed by the owner/director. The maximum allowable compensation is based on guidelines for this region published by Commerce Clearing House, Inc. and updated yearly. The following table is for calendar year 1995 and is based on the Division's estimate. The 1995 figures are based on the 1990 figures increased by 4.9% for 1991, 4.5% for 1992, 4% for 1993, 4% for 1994 and 4% for 1995. An owner will receive the "high" range amount provided they work a minimum of 40 hours per week in the home office, management company, or owned nursing home. All others will be calculated on the median range.

1995			
<u>BED SIZE</u>	<u>LOW</u>	<u>HIGH</u>	<u>MEDIAN</u>
0-74	29,336	52,681	37,540
75-99	22,077	53,624	37,853
100-149	31,547	63,718	41,008
150-200	32,808	64,349	50,473
200 +	37,853	94,635	52,049

Compensation in Excess of State Maximum

Enter the difference between the amounts reported as "Total Compensation" and the "Maximum Allowable Compensation." This amount is reported as excessive compensation on the Non-Allowable Cost Adjustment schedule, page 27, and under the column "Adjustment to Allowable Cost" on the Statement of Revenues and Expenses schedule, page 26.

Description of Duties Performed

Provide a general description of the duties the owner performed.