

**STATE OF IOWA  
IOWA DEPARTMENT OF HUMAN SERVICES  
HOME HEALTH AGENCY EARLY AND PERIODIC SCREENING, DIAGNOSTIC, AND  
TREATMENT PRIVATE DUTY NURSING AND PERSONAL CARE SERVICES  
FINANCIAL AND STATISTICAL REPORT  
GENERAL INSTRUCTIONS**

These instructions are for use under the provisions of the Home Health Agency (HHA) Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) Private Duty Nursing (PDN) and Personal Cares (PC) Program (IAC 441 Ch 79.1(27)) certified as Medicaid providers by the Iowa Department of Human Services.

**Forms and Submission Information:** A completed financial and statistical report (cost report), form # 1728-94, is to be submitted in an electronic format approved by the Department that can be opened using the extension xls or xlsx. The acceptable Excel template is available from the Iowa Department of Human Services website at <https://hhs.iowa.gov/programs/welcome-iowa-medicaid/provider-services/provider-forms>. The cost report is form 1728-94.

The annual cost report shall coincide with the fiscal year used by the agency to report federal income taxes. The cost report must be submitted to the rate setting contractor no later than the last day of the fifth calendar month after the close of the agency's reporting year. Electronic copies should be emailed to the rate setting contractor at [costaudit@hhs.iowa.gov](mailto:costaudit@hhs.iowa.gov).

An original signed Certification Statement (page 1 of the cost report), fax or copy is not acceptable, must also be mailed to the Provider Cost Audit and Rate Setting contractor no later than the fifth calendar month after the close of the agency's reporting year at:

**Iowa Medicaid Enterprise  
Attn: Provider Cost Audit  
P.O. Box 36450  
Des Moines, Iowa 50315**

The submission shall include a working trial balance corresponding to all financial data contained on the cost report. The working trial balance must provide sufficient detail to enable the rate setting contractor to reconcile accounts reported on the general ledger to those on the cost report.

The submission shall include a copy of the Medicare cost report covering the most recently completed historical reporting period as submitted to the Medicare fiscal intermediary.

If the financial statements have been compiled, reviewed or audited by an outside firm, a copy of the compilation, review or audit report, including notes, for the reporting period shall be included with the submission of the cost report or forwarded to the Provider Cost Audit and Rate Setting contractor upon completion after submission of the cost report.

If applicable, the submission shall include a copy of the Medicare Home Office Cost Report or Home Office Cost Statement.

A complete submission shall include all of the items identified above. Failure to submit a complete report that meets the filing requirements within the stated time shall have the current payment reduced to 75 percent per Iowa Administrative Code 441 Chapter 79.1(27)b(5) for no longer than 3 months, after which no further payments will be made until the first day of the month after receipt of the complete cost report. Amounts withheld will not be returned to the provider.

**Refer to Criteria - Instructions Are Not Comprehensive.** These instructions are not intended to be comprehensive. In completing the forms, agencies should rely on the criteria as well as other relevant rules and regulations, including generally accepted accounting principles (GAAP). Report dollar amounts as whole numbers.

## CERTIFICATION PAGE

**Agency Name and Address:** Indicate the exact name of the agency as it appears on the state license. The physical address must be completed.

**National Provider Identified (NPI):** Enter the ten-digit NPI number, taxonomy, and nine-digit zip code used to identify the agency for Medicaid purposes. The incorrect reporting of the information can delay the review process.

**County:** Report the county in which the agency is physically located.

**Period of Report:** Indicate the beginning and ending dates of the cost report period as MM/DD/YYYY.

**Date of Fiscal Year End:** Enter the ending date for the fiscal year.

**Report Type:** Use the drop-down menu to indicate if the cost report is an annual cost report or a projected cost report for new agencies or new services.

**Independent Audit:** Use the drop-down menu to indicate if a certified public accounting firm performed an audit of the agency financial statements. Indicate the audit period end date for the most recently completed financial audit and forward a copy of the latest audit report to the Provider Cost Audit and Rate Setting Unit. If not complete, indicate the expected completion date of the audit for the current cost report period.

**Type of Control:** Use the drop-down menu to indicate the ownership or organization type under which the agency is operated.

**Accounting Basis for Financial Reporting:** Use the drop-down menu to indicate the accounting basis for agency financial records.

- ◆ Accrual: Recording revenue when earned and expense when incurred.
- ◆ Modified Cash: Combination of cash and accrual methods of accounting.
- ◆ Cash: Recording revenue when received and expenses when paid.

**Accounting Basis for Cost Report:** Use the drop-down menu to indicate the basis used to complete this cost report.

- ◆ Accrual: Recording revenue when earned and expenses when incurred.
- ◆ Modified Cash: Combination of cash and accrual methods of accounting.
- ◆ Cash: Recording revenue when received and expenses when paid.

**Federal ID Number (TIN):** Enter the agency's federal nine-digit taxpayer identification number utilized for submitting agency tax returns to the Internal Revenue Service as XXXXXXXXX.

**Certification Statement:** After adequate review of the completed form, an authorized officer of the agency must sign the certification statement and provide contact information. Review of the cost report may not be finalized without an ink signature on the certification page (fax, scan, and copy are not acceptable).

**Statement of Preparer:** If a paid preparer is utilized to complete the forms, the name, company name, and contact information of the preparer must also be reported.

**Questions:** Indicate who should be contacted with questions related to the data in the cost report.

## SCHEDULE S – STATISTICAL DATA

**Item 1 – Service Code:** This shows the applicable Medicaid service codes for EPSDT PDN/PC Services. This is prepopulated and cannot be altered.

**Item 2 – Type of Unit:** This indicates the specific unit type for each service code. This is prepopulated and cannot be altered.

**Item 3 – Total number of units of service provided:** This is a calculated field which sums units entered on line 4.

**Item 4 – Unit Detail:** Enter the number of units provided for each listed payer, including Iowa Medicaid Fee for Service, Medicaid Managed Care Organizations and other payers. All services must be like-kind services to Medicaid HHA EPSDT PDN/PC services. Like-kind services do not include waiver services. Reported units should include units of service which were provided but not yet paid or for which payment is no longer anticipated.

**Item 5 – Other Services:** Use the drop-down menu to indicate whether or not the agency provides services other those itemized in line 4.

**Item 6 – Other Services:** If other services are provided, itemize them on the lines provided and indicate the percent of business for each. The percent of business may be determined using revenue, cost, or other identifiable measures. The sum must equal 100%.

**Item 7 – Agency Transportation:** Provide the agency mileage reimbursement rate paid to employees who drive a personal vehicle for business. Also provide the total number of miles reimbursed for the entire agency and total number of miles reimbursed related to HHA EPSDT PDN/PC services.

**Item 8 – Self-Insurance:** Use the drop-down menu to indicate whether the agency is self-insured for any time of insurance (i.e., health insurance for employees, worker's compensation, etc.).

## **SCHEDULE A – AGENCY REVENUE**

Schedule A is to report revenues as recorded in the general ledger and other financial records. revenues from all payer sources should be reported on the appropriate lines and columns.

**Column 1 – Total Revenue:** Report the sum of revenue for each line per the general ledger.

**Columns 2 and 3:** Report revenue applicable to each line from EPSDT Services and Other Programs. Cost recoveries that are a credit to expense accounts should not be reclassified as revenues for cost report purposes.

**Columns 4 and 5:** In column 4, enter the revenue amount which should reduce related expenses reported on Schedule C. In column 5, enter the Schedule C line number where expenses related to the revenue are reported. The amounts entered on Schedule A, Column 4, should be reported on Schedule C, Column 2. The totals of these columns on both schedules should agree.

A supplemental schedule must be submitted for amounts reported on the lines listed below. The schedule should include an itemized listing of revenues reported on each identified line. For Government Grants, include the source, purpose, and period of the grant as well as the applicable grant program. Supporting Schedules (1) and (2) may be used to provide the information.

### **Attached Schedule Required:**

- Line 210: Other Fee for Service Revenue
- Line 216: Other Ancillary Revenue
- Line 219: Other Food Reimbursement
- Line 224: In Kind Transactions
- Line 225: Government Grants
- Line 226: Other Revenue

Fee for Service Revenue represents revenue earned as a result of performing services to or for members. The fees might be paid by third parties on behalf of members for whom services were performed.

Revenue from ancillary services shall be applied in reduction of the related expense. Revenue from the sale of medical supplies, food or services to employees shall be applied in reduction of the related expense. An Investment income adjustment is necessary only when interest expense is realized, and only to the extent of the interest expense. Accounts receivable charged off or provision for uncollectible accounts shall be reported as a deduction from gross revenue.

Classify revenue from members sufficiently in the accounting records to allow preparation of the schedule. Routine daily service revenue should be reported in the appropriate lines as gross revenue by primary payer source (i.e., if the primary payer is Medicare and the Medicaid programs pay for co-insurance, then the gross routine service revenue should be reported in the Medicare column). It is essential "routine daily service" represents only the established usual and customary charge, excluding additional charges for other services, if any.

Pharmacy, Laboratory and X-Ray Items: Approved legend drugs requiring a prescription by law and insulin are paid for directly by Medicaid. Costs of laboratory and x-ray services are paid for directly by Medicaid. Report these revenues on Line 216 Other Ancillary.

Occupational Therapy, Physical Therapy, Speech Therapy and Respiratory Therapy: Therapy revenue should be reported in the appropriate column. Therapy services are not an allowable HHA EPSDT PDN/PC activity. As such, all therapy should be reported as Other Program revenue.

Other Revenues will likely require an offset to the related cost account on Schedule C.

## SCHEDULE B - SALARY INFORMATION BY FUNCTION

Schedule B is to report the number of staff, hours, and wages by job duty.

**Job Classification:** All personnel must be separated into the following job classifications based on the duties performed:

- 2110 Administrative Management
- 2120 Direct Care Supervision
- 2130 Direct Care
- 2140 Business Office / Clerical
- 2150 Other Staff

For each job classification, enter specific job titles or group of similar positions on the provided lines. If more than eight lines are required for a job classification, enter “*See Supporting Schedule (1)*” on one of the lines and use Schedule B to report summary data and the supporting schedule to report detail.

**Column 1 – Total Number of Staff:** Enter the number of people working full time or part time.

**Columns 2 – Gross Salaries and Wages:** Enter the gross wages for all full-time and part-time staff for each job duty. Make sure Gross Salaries and Wages correspond with the respective salary lines on Schedule C Column 1 (lines 2110 – 2150). In the electronic version of the cost report form, this link is automatic.

**Columns 3 – 7 Hours and Wages:** Enter Total Paid hours for each identified position in Column 3 and the number of hours worked and wages for EPSDT PDN/PC and Other Programs in Columns 4 – 7. The sum of hours entered in Columns 5 and 7 should equal Total Paid Hours in Column 3. The sum of wages entered in Columns 4 and 6 should equal Gross Salaries and Wages in Column 2.

While Gross Salaries and Wages reported in Column 2 must equal amounts reported in Schedule C Column 1, the EPSDT and Other Program amounts reported in Columns 4 and 6 will not equal Schedule C Columns 6 and 7 if there are Revenue Adjustments or Expense Adjustments reported in Schedule C Columns 2 and 3 on lines 2110 - 2150.

Agencies are required to maintain supporting documentation identifying the number, type of staff, and Full Time Equivalents (FTE) devoted to EPSDT services. If staff is responsible for multiple programs or services, acceptable documentation as discussed in the instructions to Schedule H must be kept to support salary allocations between programs and services.

See instructions for Schedule H regarding acceptable cost allocation methods and documentation.

## **SCHEDULE C – Identification of Total Expenses to Program**

**Column 1 – Expenses per General Ledger:** All cost carried on the agency's general ledger must be entered in Column 1.

**Column 2 – Revenue Adjustments:** Enter revenue adjustments from Schedule A to reduce expense by the related revenue. Revenue adjustments should be entered as a negative amount.

**Column 3 – Expense Adjustments:** Enter expense adjustments from Schedule E. Adjustments may reflect items which are not allowable as costs of providing care to Medicaid members. Other examples include adjustments from Book Depreciation to Straight Line Depreciation per Schedule D or to actual Home Office cost incurred per Schedule G. Cost adjustments that are a reduction to cost should be input as a negative amount.

**Column 4 – Total Costs:** This is a calculated field which must reflect allowable costs. **Allocation Basis:** When an agency provides multiple programs and services, costs must be equitably allocated to each program and service. See instructions for Schedule H regarding acceptable cost allocation methods and documentation.

**Column 5 – Program Alloc Basis:** Use the drop-down menu to select the appropriate allocation basis from Schedule H used to allocate costs between Total EPSDT PDN/PC cost in Column 7 and Other Program cost in Column 6.

**Column 6 – Other Program Cost:** Enter direct Other Programs costs and applicable portion of allocated costs.

**Column 7 – Total EPSDT PDN/PC Cost:** This is a calculated field which sums amounts reported in Columns 9 and 10.

**Column 8 – EPSDT Alloc Basis:** This column is only necessary for providers which report both T1000 and S9122 cost in Columns 9 and 10. When required, use the drop-down menu to select the appropriate allocation basis from Schedule H used to allocate EPSDT costs between T1000 PDN costs reported in Column 9 and S9122 PC costs reported in Column 10.

**Column 9 – T1000 EPSDT PDN Cost:** Enter direct T1000 Private Duty Nursing costs and applicable portion of allocated costs.

**Column 10 – S9122 EPSDT PC Cost:** Enter direct S9122 Personal Care Service costs and applicable portion of allocated costs.

**Column 11 – Total Equals Column 4:** This column is a calculated field to ensure the total costs allocated to the EPSDT and Other program columns equals the total costs identified in column 4. If Column 11 does not equal the sum of Columns 7 and 6, an error message will appear to the right of Column 11. The error should be resolved prior to cost report submission.

### **The following is a description of each line of Schedule C:**

**LINES 2110 – 2150: Employee Salaries** – Cost of the agency's respective staff including regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation cost for the reporting period.

**LINES 2210: Healthcare benefits / premiums** – Cost of employer portion of health, dental and vision insurance benefits and premiums for employees whose salary and wages are reported on lines 2110 – 2150.

**LINES 2220: Retirement Benefits** – Cost of employer contributions to defined retirement plans for employees whose salary and wages are reported on lines 2110 – 2150.

**LINES 2230: Other Benefits** – Cost of employer portion of life insurance and any benefits not described above for employees whose salary and wages are reported on lines 2110 – 2150. Costs to maintain a key person life insurance policy on an officer or administrator where the agency is the beneficiary should be reported on Line 3630. An itemized listing of expenses reported on line 2230 shall be reported on Supporting Schedule (1) or (2).

**LINES 2310: FICA** – Employer portion of Federal Insurance Contributions Act (FICA) used to fund Social Security and Medicare associated with salaries and wages included in lines 2110 – 2150.

**LINES 2320: Unemployment & Workers Comp** – Federal and State unemployment tax (insurance) and Worker's Compensation Insurance costs associated with salaries and wages included in lines 2110 – 2150.

**LINE 2410: Background Checks** – Costs associated with conducting criminal record checks.

**LINE 2420: Professional Organizational Dues** – Costs of dues for belonging to a professional organization, including agency associations and professional organizations of all staff. Any part of the dues classified by the association or organization as lobbying should be adjusted in Column 3 and reported on line 2430.

**LINE 2430: Lobbying Fees** – Costs paid to or designated by any person, association or organization for the purpose of influencing federal, state or local government officials. These costs should be adjusted in Column 3 and reported on Schedule E as they are not allowable for reimbursement purposes.

**LINE 2440: Management Fees** – Costs for professional fees paid to a management company of an agency. The agency should have a management agreement to support the costs reported.

**LINE 2450: Accounting and Auditing** – Costs for services rendered by a contracted vendor for processing payroll, general financial record keeping, preparation of financial statements, tax returns and preparation of cost reports (Medicare, Medicaid, County, etc.). Wages should be reported on Line 2140 if these are employees of the agency.

**LINE 2460: Attorney's Fees** – Costs must be for services rendered for legal consultation directly related to patient care in order to be allowable for reimbursement purposes.

Admin and Judicial Proceedings:

Costs for services rendered by a contracted vendor related to legal fees, expert witnesses, accounting fees and other consulting fees incurred in an administrative or judicial proceeding.

For any reported allowable costs, copies of the paid invoices, complaint or judgment indicating when incurred and when paid and a summary of hours and hourly rates paid are required to be submitted.

**LINE 2470: Information Technology** – Costs or fees for services rendered by a contracted vendor for performing computer maintenance, software licensing and technical consultation.

**LINE 2480: Claims Processing** – Costs for services rendered by a contracted vendor for submitting claims for payment. Wages should be reported on Line 2140 if this is an employee of the agency.

**LINE 2490: Other Non-Medical** – This line is for any miscellaneous administrative costs that do not fit the definitions of the lines above. Provide an itemized listing of the reported costs on Supporting Schedule (1) or (2).

**LINE 2510: Equipment Lease / Rental – Administrative** – Rental cost of equipment used to support administrative functions.

**LINE 2520: Small Equipment Purchases – Administrative** – Costs related to the purchase of small equipment used to support administrative functions, that does not meet the depreciation guidelines. (Example: copy machines).

**LINE 2530: Equipment Repairs – Administrative** - Costs related to equipment service agreements and to repairing agency equipment used to support administrative functions.

**LINE 2610: Office Supplies** – Costs related to small, expendable, daily use office supplies.

**LINE 2620: Non-routine Medical Supplies** – Costs of medical supplies identifiable to individual members. Non-routine supplies are usually furnished at the direction of the member's physician and are included in the member's case plan. Durable medical equipment (DME) is not included. The cost of billable medical supplies should be reported as a direct Other Program cost.

**LINE 2630: Routine Supplies** – Costs of medical supplies customarily used to provide patient care services. Routine supplies are usually not designated for a specific member.

**LINE 2640: Other Supplies** – This line is for any miscellaneous supply costs that do not fit the definitions of the lines above. Provide an itemized listing of the reported costs on Supporting Schedule (1) or (2).

**LINE 2710: Contracted Nursing** – Costs or fees for services rendered by a contracted vendor for performing nursing services.

**LINE 2720: Contracted Therapy** – Costs or fees for services rendered by a contracted vendor for performing therapy services. Therapy is not an allowable activity for HHA EPSDT PDN/PC services. As such, these costs should be reported as a direct other program cost.

**LINE 2730: Other Contracted Care** – Costs or fees for services rendered by a contracted vendor for performing care services other than Nursing and Therapy Services. Provide an itemized listing of the reported costs on Supporting Schedule (1) or (2).

**LINE 2810: Rent/Lease of Space** – Rent costs for lease of buildings only. Include costs related to rental of agency equipment on the equipment rental lines of the other sections. Any related party transactions should be reported on Schedule G. Refer to CMS Publication 15-1 to determine the proper reporting and limiting of lease cost.

**LINE 2820: Building & Grounds Care, Supplies & Maintenance** – Costs for care, supplies and repair of the agency's building and grounds.

**LINE 2830: Utilities** – Electricity, gas, water, sewer, and other agency utility costs.

**LINE 2840: Property Interest Expense** – Interest paid on property and improvement loans for the agency and capital assets. Interest paid to a related party is not allowable. Interest cost should be reduced in Column 2 by realized investment income reported on Schedule A, except where the income is from gifts and grants whether restricted or unrestricted, and which are held separate and not commingled with other funds.

**LINE 2850: Property Insurance & Property Taxes** – Property taxes and property casualty insurance on the agency buildings and equipment.

**LINE 2860: Other Occupancy** – This line is for miscellaneous occupancy costs that do not fit the definitions of the lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).



**LINE 2910: Yellow Page & Employee Recruitment Advertising** – Costs of advertising for hiring of open positions and the reasonable cost of a standard listing in the local yellow pages.

**LINE 2920: Entertainment** – Costs of entertainment, including tickets to sporting or other events, alcoholic beverages, golf outings, ski trips, cruises, professional musicians or other entertainers, are not allowable and should be removed via a Schedule E adjustment. Costs incurred by an agency for purposes of employee morale, specifically, for an annual employee picnic, an annual Christmas or holiday party, an annual employee award ceremony or for sponsorship of employee athletic programs (bowling, softball, basketball teams, etc.), are allowable to the extent they are reasonable.

**LINE 2930: Fundraising, Marketing and Advertising** – Advertising are those costs associated with developing advertising media, including magazines, newspapers, radio and television, direct mail, exhibits, electronic transmittals, etc. Public relations means those activities dedicated to maintaining the image of the company or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. Marketing includes activities that steer, or attempt to steer, a member to use services offered by the agency. Fundraising are those costs associated with the organized activity of raising funds for the agency. These are not an allowable cost and should be removed in Column 3 and reported on Schedule E.

Salaries and wages for advertising, public relations, fundraising, marketing positions and contracted vendors reported on other lines of Schedule C also need to be removed in Column 3 and reported on Schedule E.

**LINE 3010: Staff Mileage** – Mileage reimbursement expense for the business use of a personal vehicle. Mileage reimbursement paid above the state maximum reimbursement rate per Iowa Department of Administrative Services (DAS) Policy 210.30, personal travel expenses, and commuter travel expenses are not allowable costs and should be removed in Column 3 and reported on Schedule E.

Mileage reimbursement expense for travel to and from the member's residence is allowable. However, if a staff member goes between their personal residence and the member's residence, the maximum allowable mileage would be from the main office to the member's residence minus the mileage from the staff residence to the main office.

If vehicles are used for multiple programs or services, mileage logs or other acceptable documentation must be kept to support expense allocations.

**LINE 3020: Vehicle Lease** – Lease costs of any vehicle leased by the agency.

**LINE 3030: Vehicle Insurance, Fuel & Maintenance** – Cost of insurance, fuel, and maintenance for agency vehicles.

**LINE 3040: Other Agency Transportation** – Use this line for any miscellaneous agency vehicle cost that does not fit the definitions of the lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

**LINE 3110: Staff Development & Training** – Costs of training seminars and courses, such as registration fees, course materials etc.

**LINE 3120: Annual Meeting & Business Conference** – Costs related to association business meetings, limited to individual members of the association who are members of a national affiliate, and costs associated with workshops, symposiums, and meetings which provide administrators or department heads with hourly credits required to comply with continuing education requirements for licensing, are allowable costs.

**LINE 3210: Subscriptions/Publications** – Costs for subscriptions and publications to industry related publications.

**LINE 3250: Telecommunications** – Costs for telephone, cellular, internet and paging services.

**LINE 3310: Total Depreciation** – Depreciation cost for equipment, vehicles and buildings owned by the agency. As discussed in the instructions to Schedule D, a detailed fixed asset depreciation listing must be submitted along with the cost report.

**LINE 3320: Amortization** – Amortization costs for the agency on leasehold improvements, startup costs, etc. As discussed in the instructions to Schedule D, a detailed intangible asset amortization listing must be submitted along with the cost report.

**LINE 3410: Liability Insurance** – Costs of general liability insurance.

**LINE 3420: Working Capital Interest Expense** – Cost of interest paid on a line-of-credit or loan to pay for services related to patient care. Interest cost should be reduced in Column 2 by realized investment income except where the income is from gifts and grants whether restricted or unrestricted, and which are held separate and commingled with other funds.

**LINE 3430: Other Miscellaneous** – Use this line for any miscellaneous agency cost that does not fit the definitions of any lines above. Provide a list detailing the costs reported on Supporting Schedule (1) or (2).

**LINE 3500: Home Office Costs** – Costs directly related to those services performed for individual providers which relate to patient care, plus an appropriate share of indirect costs (overhead, rent for home office space, administrative salaries, etc.) are allowable to the extent they are reasonable. Home office costs that are not otherwise allowable costs when incurred directly by the provider cannot be allowable as home office costs to be allocated to providers.

A home office provides essential services, typically administrative in nature. Agencies with a home office must annually provide a name of the home office and the Medicare ID for the home office. All lines on which costs from the home office are reported on Schedule C must be disclosed on schedule G (see specific instructions).

Home offices must also provide a cost statement, including allocations to the individual facilities. The cost statement and allocation calculations should identify specific information about costs on the agency's cost report, including but not limited to compliance, limitations and unallowable costs.

Home office costs charged to each provider must be limited to actual cost incurred by the home office, via adjustment in Column 3 and reported on Schedule E.

**LINE 3610: Non-working Officers' Salaries** – Salaries and wages paid to officers who did not work at the agency. These costs are not reimbursable and should be removed in Column 3 and reported on Schedule E.

**LINE 3620: Contributions / Donations** – Contributions or donations, including but not limited to cash, property, and services, made by the agency, regardless of the recipient. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

**LINE 3630: Officer's Life Insurance** – Costs to maintain a key person insurance policy on an officer or administrator where the agency is the beneficiary. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E. See instructions for line 2275-2295 for instructions for reporting officer / owner life insurance.

In general, premiums related to insurance on the lives of owner(s), officer(s), or key employee(s), where the agency is a direct or indirect beneficiary, are not allowable costs. An agency is a direct

beneficiary where, upon the death of the insured individual, the insurance proceeds are payable directly to the agency. An agency is an indirect beneficiary when another party receives the proceeds of a policy through an assignment by the agency to the party, or other legal mechanism but the agency benefits from the payment of the proceeds to the third party.

An exception to these requirements is permitted where:

- (1) An agency, as a requirement of a lending institution, must purchase insurance on the life of an owner(s), officer(s), or key employee(s) to guarantee the outstanding loan balance.
- (2) The lending institution must be designated as the beneficiary of the insurance policy, and
- (3) Upon the death of the insured, the proceeds will be used to pay off the balance of the loan.

Premiums related to insurance on the lives of owner(s), officer(s), and key employee(s) where the individual's relative(s) or his/her estate is the beneficiary, are considered to be compensation to the individual and are allowable costs to the extent such total compensation is reasonable.

**LINE 3640: Income Taxes** – Income tax cost incurred during the period. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

**LINE 3650: Bad Debts** – Costs, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

**LINE 3660: Penalties, fines or interest** – Costs of penalties, fines or interest imposed by federal, state or local agencies or for non-sufficient funds or delinquent payments. These costs are not reimbursable, removed in Column 3 and reported on Schedule E.

**LINE 3670: Board of Director Fees** – Fees incurred for the board of directors. These costs are not reimbursable, and should be removed in Column 3 and reported on Schedule E.

**Attached Schedule Required:**

- Line 2230: Other Benefits
- Line 2490: Other Non-Medical
- Line 2630: Other Supplies
- Line 2730: Other Contracted Care
- Line 2860: Other Occupancy
- Line 3040: Other Agency Transportation
- Line 3310: Total Depreciation (Submit a detailed depreciation / fixed asset listing)
- Line 3320: Total Amortization (Submit a detailed amortization / intangible asset listing)
- Line 3430: Other Miscellaneous

## **SCHEDULE D – DEPRECIATION AND AMORTIZATION**

Assets that an agency has an economic interest in through ownership are subject to depreciation. Generally, depreciation is allowable when required in the regular course of providing services. Assets which an agency is using under an operating lease arrangement would not be subject to depreciation by the agency.

An asset is considered donated when the agency acquires the asset without making any payment for it in the form of cash, property, or services. Depreciation for a donated asset is not an allowable cost for reimbursement, and should be removed in Column 3 and reported on Schedule E.

When the agency makes any payment in acquiring the asset, and if the payment is less than the fair market value, then this payment, and not the fair market value, is considered to be the historical cost of the asset. If an asset is exchanged for new debt or the assumption of debt, then the transaction is considered a sale and not a donation.

Depreciation must be adequately supported by the agency's accounting records. For reporting purposes, an agency may maintain supplementary records apart from formal records, but in a manner similar to that used in maintaining formal records. Appropriate recording of depreciation requires the identification of the depreciable assets in use, the assets' historical costs (or fair market value or net book value, as appropriate, at the time of donation in the case of donated assets), the assets' dates of acquisition, the method of depreciation, estimated useful lives, and the assets' accumulated depreciation.

Historical cost is the cost incurred by the present owner in acquiring the asset and preparing it for use. Generally, such cost includes costs capitalized under generally accepted accounting principles. For example, in addition to the purchase price, historical cost includes architectural fees, consulting fees, and related legal fees.

The estimated useful life of an asset is its expected useful life to the agency, not necessarily the inherent useful or physical life. In initially selecting a proper useful life for computing depreciation, the agency shall use the current edition of the American Hospital Association (AHA) Estimated Useful Lives of Depreciable Hospital Assets.

If a depreciable asset has at the time of its acquisition an estimated useful life of at least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the estimated useful life of the asset using the straight-line method of depreciation. The agency may establish a capitalization policy with lower minimum criteria, but under no circumstances may the minimum limits noted above be exceeded. For example, an agency may elect to capitalize all assets with an estimated useful life of at least 18 months and a historical cost of at least \$4,000. However, it may not elect to capitalize only those assets with a useful life of at least 3 years and a historical cost of more than \$6,000.

When items are purchased as an integrated system, all items must be considered as a single asset when applying the capitalization threshold. Items having standalone functional capability may be considered on an item-by-item basis. For example, an integrated system of office furniture (interlocking panels, desktops supported by locking into panels) must be considered as a single asset when applying the threshold. Standalone office furniture (e.g., chairs, free standing desks) will be considered on an item-by-item basis.

A detailed depreciation / fixed asset listing should be submitted with this schedule. This listing must include all assets, historical cost, salvage value, date asset was placed into service, date assets was retired, depreciable life, accumulated depreciation and current year depreciation figured on straight line method. A detailed amortization / intangible asset listing should also be submitted with this schedule.

Schedule D Column Description

**COLUMN 1: Construction in Process** - Costs associated with construction in process and are not yet in service. Once the construction is completed and the asset is placed into service the cost will be reported in Column 2 and begin depreciating. No depreciation is allowed until the asset is placed into service.

**COLUMN 2: Beginning Historical Basis Asset Costs** - Historical cost of obtaining or constructing the asset.

**COLUMN 3: Purchases during period** - Historical cost of obtaining or constructing the asset subsequent to the change of ownership. This must not include other acquisition costs of the new owner such as legal fees, accounting and administrative costs, travel costs, and the costs of feasibility studies attributable to the negotiation or settlement of the sale or purchase of the property.

**COLUMN 4: Disposals during period** - Record the book value of all assets disposed of during the cost report period.

**COLUMN 5: Ending Historical basis** - Represents the sum of Column (2) plus Column (3) subtract Column 4

**COLUMN 6: Accumulated Straight Line Depreciation/Amortization Reported in Prior Years** - Accumulated depreciation cost at the beginning of the reporting period. Please reconcile amounts reported in this column to the prior year column 6 plus the amounts reported in prior year column 8 – Recorded Depreciation Cost. If these amounts do not reconcile provide a reconciliation showing the difference on Supporting Schedule (1) or (2).

**COLUMN 7: Straight Line Useful Life** - The useful life from the AHA in the year of acquisition.

**COLUMN 8: Straight Line Depreciation/Amortization Current Period** - Depreciation cost reported on the straight-line method using the useful life from the AHA in the year of acquisition. Total Depreciation and Amortization reported in this column should equal amounts reported on Schedule C, Column 4.

**COLUMN 9: Book Method** - The method utilized for depreciating assets per the agency's books. Examples include Straight-line, Declining Balance, MACRS, and Sum of Year Digits.

**COLUMN 10: Book Annual Rate %** - The annual percentage of depreciation cost utilizing the depreciation methodology described in column 9. If the assets reported on each line have multiple percentages, use a weighted average of the percentages.

**COLUMN 11: Book Depreciation/Amortization Current Period** - Recorded depreciation expense for the report period per the agency's books. Total Depreciation and Amortization reported in this column should equal amounts reported on Schedule C, Column 1.

**COLUMN 12: Accumulated Book Depreciation/Amortization End of Period** - Recorded accumulated depreciation expense for the report period per the agency's books.

## SCHEDULE E – SUMMARY OF EXPENSE ADJUSTMENTS

Certain costs not normally incurred in providing member care shall be eliminated or limited in accordance with Iowa Administrative Code and Medicare cost principles published in Centers for Medicare and Medicaid Services (CMS) Publication §15-1. Costs, including but not limited to the following listed below, must be fully adjusted or limited because they are not normally incurred in providing member care. Refer to CMS Publication §15-1 and Iowa Administrative Code to determine the proper reporting of certain costs.

- Federal and state income taxes
- Fees paid to directors and nonworking officers' salaries
- Donations
- Fund-raising
- Insurance premiums on life of officer / owner (allowable under certain circumstances)
- Lobbying
- Bad debts
- Penalties, fines, delinquent payment fees
- Related party compensation (see schedule G)
- Related party payments (see schedule G)
- Home Office Cost (see schedule G)
- Marketing and Advertising
- Depreciation
- Interest
- Personal travel and entertainment
- Cost of services for other programs
- Mileage reimbursement above the state reimbursement rate

The Schedule E template allows for 40 total adjustments to be reported. Lines for the first 25 adjustments are already shown; the bottom 15 adjustments lines are hidden. The plus sign (+) button next to Line 825 will unhide the 15 adjustment lines. Should more than 40 adjustments be necessary, contact the Provider Cost Audit and Rate Setting Unit for instructions.

**Column 1 – Adjustment Description:** Give a brief explanation as to why the cost is being removed.

**Column 2 – Sch C Line No:** Enter the line number from Schedule C where the related cost is reported.

**Column 3 – Total Amount to be Adjusted:** Report the amount of the unallowable cost removed from the appropriate program. The amount to be adjusted should match Schedule C column 3, Adjustments (From Sch E).

**Column 4 – Allocation Basis:** Use the drop-down menu to identify the allocation basis from Schedule H used to allocate the adjustment between EPSDT and Other Programs.

**Columns 5 through 7 – T1000, S9122 and Other Program:** Use the drop-down menu to indicate how much of the adjustment amount from Schedule 3 applies to each program/service based on the allocation basis identified in Column 4.

**Column 8 – Check Total:** This is a calculated field which sums amounts reported in the T1000, S9122 and Other Programs columns (Columns 5 – 7). If the Check Total does not equal the amount entered in Column 3 – Total Amount to be Adjusted, an error message will appear to the right of Column 8. Any errors should be resolved prior to cost report submission.

## SCHEDULE F – COMPARATIVE BALANCE SHEET

Report balance sheet information on Schedule F. Account balances should be reported as of the beginning and end of the financial reporting period. In most cases, the beginning of period balances should agree with the end of period balances from the prior year balance sheet. General ledger account balances should be summarized on the lines of Schedule E that best describe the nature of the accounts. It is essential that general ledger accounts are summarized on Schedule E in a consistent manner.

## SCHEDULE G – RELATED PARTY DISCLOSURES

**Section A:** Use the drop-down menu to indicate if the agency has a home office that provides administrative support. If yes, a Medicare Home Office Cost Report or Home Office Cost Statement is required to be submitted with the cost report.

**Section B:** Use the drop-down menu to indicate if the agency has a management company. If yes, a copy of the management agreement is required to be submitted with the cost report.

### **Section C: Related Party Compensation**

**COLUMN 1: Name of individual owners or related party** - Identify any individual or entity having an ownership interest, regardless if the owner receives any compensation or payments.

Where a non-profit operates or has an interest in an entity, the non-profit is considered to have influence over the operations. Any person sitting on the board of directors of the non-profit will be considered an owner.

Where a trust operates or has interest in an entity, the trust is considered to have influence over the operations. Any person designated as a settler or grantor of the trust, a trustee, or a beneficiary of the trust will be considered an owner.

Also, identify any individual receiving compensation considered a related party. The following persons are considered related parties for program purposes: (1) husband and wife, (2) natural parent, child and sibling, (3) adopted child and adoptive parent, (4) step-parent, step-child, step-sister, and step-brother, (5) father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, and daughter-in-law, (6) grandparent and grandchild and (7) domestic partners.

**COLUMN 2: Position/Role** – Indicate what position or role the related party has in the agency.

**COLUMN 3: % of Work Week Devoted to Business** - The percent of work week the individual identified in Column 1 devotes to this entity (all programs), based on a work week of 40 hours. Do not put more than 100% if more than 40 hours are worked each week.

**COLUMN 4: Salaries and Wages** - Total amount of wages and salaries paid to the individual identified in Column 1. Items that should be reported are those reflected on IRS Form W-2, Wage and Tax Statement, and include, but are not limited to, salaries, wages, and fringe benefits, the cost of assets and services received, and deferred compensation. Fringe benefits shall include, but are not limited to, costs of leave, employee insurance, pensions and unemployment plans. If the agency's fiscal year end does not correlate to the period of the W-2, a reconciliation between the latest issued W-2 and current compensation shall be required to be disclosed to the Iowa Medicaid Enterprise provider cost audit and rate setting unit.

If the wage or salary benefits multiple programs or is paid for multiple job duties, please provide on Supporting Schedule (1) or (2) the method of how the costs are assigned to the various columns or lines. If costs are not directly assigned to a program, costs may be allocated. Costs should be allocated based on accumulated costs. A different allocation methodology can be used if an agency can demonstrate the statistics used are more accurate for that cost. The change should not result in

inappropriate shifting of costs. Any allocation method used must be objective and supported by clear and reviewable documentation. Any statistics used must be made available to the IME Provider Cost Audit and Rate Setting Unit upon request.

**COLUMN 5: Sch C Line number where salaries are reported** - Indicate the Schedule C line number where the related party salaries have been reported.

**COLUMN 6: % Ownership in agency** – Include the percent of ownership attributed to those identified in Column 1. If none, enter 0%.

**COLUMN 7: Type of Relationship** – Indicate whether the related party is an owner or if related to the owner, indicate the relationship to the owner.

**Section D: Payments for Services and Supplies to Related Parties**

**COLUMN 8: Name of Related Entity or Individual** - Identify any entity the agency conducts business with related through relationship, ownership or control, but not limited to owners and related persons described above.

**COLUMN 9: Type of Service or Supply** - Describe the service or supply obtained by the entity.

**COLUMN 10: Type of Relationship** - Indicate the relationship of the entities, common ownership, common control, family relationship, etc.

**COLUMN 11: Amount of Cost Incurred by Related Party** - Report the amount of cost incurred by the related party entity identified in Column 8.

**COLUMN 12: Amount Paid to Related Party by Agency per Agency GL** - Report the total amount paid to the related entity identified in Column 1 by the agency. This amount should agree to Schedule C, Column 1 of the applicable Schedule C line.

**COLUMN 13: Amount reported on Cost Report** - Report the total amount reported on Schedule C Column 4.

**COLUMN 14: Sch C Line Number Where Expenses are Reported** - Indicate the line number on Schedule C in which the costs to related entity has been reported.

Costs applicable to services or supplies furnished by a related party or organization are a reimbursable cost when included at the lesser of the amount actually paid or the cost to the related party or organization.



## SCHEDULE H - ALLOCATIONS

If costs are allocated between programs or services, the method to allocate must be disclosed on a supporting schedule. Any allocation basis may be used if an agency can demonstrate the statistics used are the most accurate representation for that cost.

All allocation bases must be objective and supported by clear, reviewable, contemporaneous documentation. Support for any statistics used must be made available to the IME Provider Cost Audit and Rate Setting Unit, upon request.

- 1) Revenue and estimates are not valid allocation bases.
- 2) Number of members is not a valid allocation basis as it does not account for member acuity.
- 3) Any changes in allocation basis must be explained. The explanation should include how the new basis is a more accurate reflection of program costs. Changes to an allocation basis cannot occur more than every three years.
- 4) If a percent of time is used to allocate costs, periodic time studies, in lieu of ongoing time reports, may be used to allocate direct salary and wage costs. However, the time studies used must meet the following criteria:
  - a. A minimally acceptable time study must encompass at least one full week per month of the cost reporting period.
  - b. Each week selected must be a full work week (Monday to Friday, Monday to Saturday, or Sunday to Saturday), as applicable.
  - c. The weeks selected must be equally distributed among the months in the cost reporting period, e.g., for a 12-month period, 3 of the 12 weeks in the study must be the 1st week beginning in the month, 3 weeks the 2nd week beginning in the month, 3 weeks the 3rd, and 3 weeks the 4th.
  - d. No two consecutive months may use the same week for the study, e.g., if the second week beginning in March is the study week for March, the weeks selected for February and April may not be the second week beginning in those months.
  - e. A time study conducted in the current cost reporting year may not be used to allocate the costs of prior or subsequent cost reporting years.
  - f. The time study must be agency specific. Thus, chain organizations may not use a time study from one agency to allocate the costs of another agency or a time study of a sample group of agencies to allocate the costs of all agencies within the chain.

**Column 1: Allocation Basis Number to Sch C** – Unique identification number for each allocation basis. These identification numbers will be used on Schedule C Columns 5 and 8.

**Column 2: Allocation Basis Name** – Summary name for each unique allocation basis. Some standard basis names have been provided for use as they apply.

**Column 3: Detailed description of Allocation Basis** – Provide a detailed description of the allocation basis. The description should thoroughly describe the source of the metric, calculation formulas, frequency of data collection, etc. Some standard descriptions have been provided for use as they apply. If additional space is needed for calculations, use the open space at the bottom of the Schedule.

If individual lines on Schedule C use more than one allocation basis, use the Schedule H lines to create a unique allocation description specific to the applicable individual lines. For example, wages for a Maintenance Employee and a Social Worker are reported on Line 2150. The Maintenance Employee's wages are allocated between all programs and services; however, the Social Worker's wages are a direct cost of other programs. Schedule H Lines 7 – 10 can be used to describe the allocation basis for each of these two expenses reported on Line 2150 of Schedule C. The allocation number from Schedule H would then be reported on Schedule C for all Other Staff Salary, Benefit and Taxes Lines (2150, 2225, 2255, 2295, 2325 and 2355)

## **SUPPORT SCHEDULES (1) AND (2)**

Support Schedules (1) and (2) are provided for agency use as needed to supply required supplemental information as well as other information which may be of use in understanding information reported on the cost report. Supplemental information should be reported only on Support Schedules (1) and (2) or as an attachment to the cost report submission. Supporting information should not be included in the margins of other cost report schedules/excel file worksheets.