

# STATE OF IOWA

## IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES

### DIVISION OF IOWA MEDICAID SERVICES

Instructions for the Medicaid Financial and Statistical Report (cost report) for Home and Community Based Services (HCBS)

#### GENERAL INSTRUCTIONS

These instructions are for use under the provisions of the rate setting criteria for Home and Community Based Services (HCBS) [441 Iowa Administrative Code (IAC) 79.1(15)] and 79.1(30) that are certified as Medicaid providers by the State of Iowa, Department of Health and Human Services (DHHS), Division of Iowa Medicaid Services.

**Forms and Information:** Completed cost reports are to be submitted via email in an electronic .xls or .xlsx format. The Excel template is available from the Iowa Department of Health and Human Services, Division of Iowa Medicaid Services website <http://hhs.iowa.gov/ime/providers/forms> and by selecting HCBS Cost Report.

The HCBS cost report form number is 470-5477.

The cost report should be filed annually for a 12-month period coinciding with the agency's fiscal year. The cost report must be submitted to the rate setting contractor no later than the last day of the third calendar month after the close of the agency's established fiscal year each year. A final cost report must be submitted on or before the sixtieth (60) day following the date the HCBS program terminates.

The completed excel cost report, required agency trial balance, and any supporting documents, should be emailed securely to the rate setting contractor at **costaudit@hhs.iowa.gov**. If your agency's email system is not able to encrypt or securely send emails and attachments, send an email to costaudit@hhs.iowa.gov requesting a secure email. Once a secure email is received, reply to that email ensuring "Confidential" remains in the subject line.

A signed copy of the Certification Statement, signed with an original ink signature, must also be mailed to the rate setting contractor prior to the due date.

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

**Instructions Are Not Comprehensive:** These instructions are not intended to be comprehensive. In completing the form, providers should rely on the cost report instructions as well as other relevant rules and regulations, including 441 IAC 79.1(15), Center for Medicare and Medicaid Services (CMS) Publication 15-1, and generally accepted accounting principles (GAAP).

**Format:** Report dollar amounts as whole numbers unless instructed otherwise. Per unit rates are already formatted on the cost report template using two decimal places.

**HCBS Services:** Throughout these instructions, the term “HCBS” refers to the specific HCBS services required to be reported on this cost report and that are individually identified on the Statistical Data schedule, not including Money Follows the Person (MFP). Although numerous other HCBS services may be provided by an agency (for example, Respite or Prevocational Services), for the purposes of these instructions and the cost report, those services are considered “Other Programs” and are not considered “HCBS.”

**Error Messages:** Schedules A, B, D and D-1 of the cost report template contain ERROR notifications that will automatically appear when an error is identified. All errors should be corrected so that the notification disappears prior to submitting the completed cost report.

**Cell Shading:** Throughout the cost report template, cells shaded in green require an input.

## Instructions for Certification Page

**Agency Name:** Indicate the exact name of the agency as it appears on the state license.

**National Provider Identified (NPI):** Enter the ten-digit NPI number, taxonomy, and nine-digit zip code used to identify the agency for Medicaid purposes.

**Agency Address:** Indicate the agency's physical address.

**Report Period:** 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 agency's fiscal year.

**Administrator Name:** Indicate the name of the administrator and contact information. Complete email and phone number fields.

**Preparer Name:** Indicate the name of the preparer and contact information. Complete email and phone number fields.

**Person to Contact with Cost Report Questions:** Indicate who should be contacted with questions related to the data in the cost report. Complete email and phone number fields. Note: If a paid (third party) preparer should be contacted with questions, the agency will also be carbon copied on any communications.

**Certification Statement:** After adequate review of the completed form, an authorized officer of the agency must sign the certification statement. Review of the cost report may not be finalized without an ink signature on the certification page (fax, scan, and copy are not acceptable). The enrolled agency is the party held responsible for the cost report because the agency signed the Iowa Medicaid Provider Agreement during the Medicaid provider enrollment process.

**Statement of Preparer:** If a paid (third party) preparer is utilized to complete the forms, an authorized individual must sign the certification statement. This does not need to be signed if the form is completed by the agency's internal accounting department.

## Instructions for Statistical Data Page

**Section 1: Service Information Section 1a through 1e.** For any applicable Exception to Policy (ETP), indicate the Waiver Type, Service Code, Type of Unit, and the Service Type in the ETP columns (columns 18-19). All other information in this section is pre-populated and cannot be edited.

**Section 2: Total Number of Units of Service Provided by Payor.** Enter the number of units provided for each service during the reporting period by payor source. Applicable payor sources include Iowa Medicaid Fee for Service, Iowa Medicaid Managed Care Organizations (MCO), Other.

All units **provided** should be reported, regardless of whether payment for the services has been received at the time the cost report is prepared or if it even will be paid. Do not limit to the number of units paid.

A unit of service is defined as billable time, which is defined as direct support contact with the member. For daily Supported Community Living (SCL) units, the number of units of service should not exceed 365-days (366 days during a leap year) per member. Report unit amounts as whole numbers.

### Definitions:

**Other Units:** Include units funded through private pay or insurance, and county funded waiver services, etc. **NOTE:** Habilitation units should NOT be reported on the Statistical Data page.

**Intellectual Disability (ID) Daily SCL (H2016-Ux/S5136-Ux) and Brain Injury (BI) Daily SCL (H2016) – Community Integrated:** Report units by payor source for all daily sites with 5 or less members residing at the site at any given time.

Community Integrated ID Daily SCL Service Codes	
H2016-U1	S5136-U1
H2016-U2	S5136-U2
H2016-U3	S5136-U3
H2016-U4	S5136-U4
H2016-U5	S5136-U5
H2016-U6	S5136-U6

**ID Daily SCL (H2016-HI/S5136-HI) and BI Daily SCL (H2016) – Other:** Report total units by payor source for all daily sites with 6 or more members residing at the site at any given time.

**ID Residential Based Supported Community Living Services (RBSCL) S5136-UA:** Report total units by payor source for all RBSCL daily sites.

**MFP:** Money Follows the Person (MFP) is a separate payor source from Iowa Medicaid. These units should be reported under the MFP column.

**ETP:** If a provider has an Exception to Policy (ETP), the provider would have received a letter from Iowa Medicaid granting the approval. All applicable signed

ETP approval letters from Iowa Medicaid should be submitted along with the cost report.

ETP units should be reported in one of the two blank columns provided for this purpose (columns 18-19). If more than two columns are needed, utilize any of the unused columns (columns 7-18) and include a note in Supporting Schedule 1 or 2 indicating which columns are used to represent ETPs.

**Section 3: Total Units of Service Provided.** This field is a sum of units by service reported on lines 2a – 2e and cannot be edited.

**Question 4 & 5: Independent Audit.** Use the drop-down menu to indicate if a certified public accounting firm performed an Audit or Review of the agency financial statements. Indicate the audit period end date for the most recently completed financial audit or review and forward a copy of the report or review report to the Provider Cost Audit and Rate Setting Unit (PCA). If not complete, enter the expected completion date in Question #5 and forward the report to PCA at that time.

**Question 6: Type of Control.** Use the drop-down menu to indicate the ownership or organization type under which the agency is operated.

**Question 7: Accounting Basis for Financial Reporting.** Use the drop-down menu to indicate the basis for the agency's internal financial records. Any basis is acceptable.

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

**Questions 8: Accounting Basis for Cost Report.** Use the drop-down menu to indicate the basis used to complete this cost report. The cost report must be prepared on the accrual basis. If the agency's internal records are on a basis other than accrual, adjustments will need to be made to convert the data to the accrual basis to prepare the cost report. PCA may request a detailed list of these adjustments, and other supporting documentation, be submitted.

**Question 9: Mileage Reimbursement Rate.** If mileage reimbursement for business use of employee's personal vehicles is included on Schedule D Lines 3210 or 3220, indicate the agency's reimbursement rate during the cost reporting period to reimburse employees for business use of personal vehicles. Enter "N/A" if no mileage reimbursement expense was incurred during the period. If more than one rate was used during the reporting period, list all rates used in the space provided.

**Question 10: Self-Insurance.** Use the drop-down menu to indicate whether the agency is self-insured for any type of insurance (i.e., health insurance for employees, workers compensation, etc.).

**Question 11: Allocation Methods.** Use the drop-down menu to indicate if the allocation method used to allocate cost has changed from prior periods. This refers to the method used on any cost report schedule. If yes, use Supporting Schedule 1 or 2 to identify the old and new methods, identify the impacted cost report schedules, and provide a list of impacted expenses.

## Instructions for Schedule A: Revenue Report

The purpose of *Schedule A: Revenue Report* is to report total agency income and show detailed income from specific services and programs. Report all revenues from all sources, including revenue from programs other than HCBS Waiver Services.

Revenue categories are provided on the schedule for the most common sources. If additional categories are necessary, use Supporting Schedule 1 or 2 to provide additional detail.

Schedule A separates revenue into two classifications, Fee for Service Revenue (FFS) and Non-Fee for Service Revenue (Non-FFS).

### **Fee for Service Revenue (Line 201):**

Report income 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.

### **Non-Fee for Service Revenue (Lines 202 – 209):**

Report revenues from, but not limited to:

- The sale of products or services through work contracts
- Food reimbursements from the Department of Education,
- Investment income
- Rental Income
- Other income, if applicable. Submit an accompanying support schedule or provide itemized detail on Supporting Schedule 1 or 2
- Restricted and Unrestricted Contributions. Use Supporting Schedule 1 or 2 to itemize contributions and designation by the agency.

**Restricted or Appropriated:** Include funds which are either restricted by the donor or appropriated by the provider through formal board action. This includes interest from a contribution, when this interest is also restricted or appropriated, and is held separate, nor commingled with other funds.

**Not Restricted or Appropriated:** Include funds which are not appropriated or designated by the provider through board action or restriction by the donor.

- Government Grants. Include grant income from government sources. Use Supporting Schedule 1 or 2 to identify the source of funding, the purpose and the period of the grant, and the program to which each grant pertains.

**Note:** Expenses incurred for activities funded through government grants shall be reported as Other Programs expense on Schedule D or awarded amounts should be used to offset grant funded expenses, dependent upon the facts and circumstances of each grant.

**Total Revenue (Column 1):** Report total agency revenue for the categories listed below. The sum Schedule A Column 1 should reconcile to total revenue per the agency general ledger.

**HCBS Revenues (Column 2) and Other Program Revenue (Column 3):** For each revenue reported in Column 1, identify the amount applicable to HCBS services (refer to the Statistical Data Page for a complete list of applicable HCBS services) or Other Programs.

The sum of Columns 2 and 3 should equal the sum of Column 1. There is a check figure in excel column I that will say “ERROR” in red text if the amounts do not tie out correctly. Correct all errors before submitting the cost report to Iowa Medicaid PCA.

**Revenue Offset Against Expense on Sch. D (Column 4):** In some instances, revenues must reduce reported expense. This is called a Revenue Offset. Generally, a revenue offset is needed if another revenue source pays for an expense, then the expense should not be included in determining allowable HCBS cost on Schedule D. See also instructions for Schedule A, Columns 6 – 9 below.

Report the amount of each revenue required to reduce (offset) reported expense on Schedule A in Column 4. Revenue which is required to be offset should be entered in Column 1, Column 2 or 3, as well as Column 4 *Revenue Offset Against Expense on Sch. D*.

The sum of Schedule A Column 4 should reconcile to the sum of amounts reported on Schedule D, Line 6300 – *Revenue Offsets from Sch. A*.

**Schedule D Line Number (Column 5):** Report the line number from Schedule D where the expenses to be offset are reported. For example, if Investment Income offsets Interest Expense, Line 2840 or 4950 would be reported on Schedule A, Line 204, Column 5.

When the expenses to be reduced (offset) are reported on multiple lines on Schedule D, use Supporting Schedule 1 or 2 to identify the applicable lines and explain the allocation of related expenses.

**Revenue Offset Against Expense on Schedule D Breakdown (Columns 6 – 9):** Revenue offsets reported on Schedule D Line 6300 must be allocated between Excluded Cost, the service columns, the Other Program Cost column, and/or the Indirect Service Cost column in such a way that the revenue offset is reported consistently with the related expense.

For each revenue offset identified on Schedule A in Column 4, identify the applicable expense amount reported on Schedule D to the Excluded Cost, Indirect Cost, Other Program Cost, or HCBS Services Cost columns.

The sum of amounts reported on Schedule A Columns 6 – 9 should reconcile to the sum of Schedule A Column 4 as well as to the sum of amounts reported on Schedule D, Line 6300 – *Revenue Offsets from Sch. A*. There is a check figure on Schedule A in column I if the revenue offset line does not tie out. Correct all errors before submitting the cost report to Iowa Medicaid PCA.

Revenue offsets should not be reported on Schedule D in the expense lines of the *Excluded Cost* column (Lines 2110 – 5300). Revenue offset amounts should be reported only at the bottom Schedule D on the line titled, “*Revenue Offsets from Sch. A.*”

Income which must be offset against service cost includes, but is not limited to:

- **Expense reimbursements.**
- **Investment Income:** Realized investment/interest income is required to be offset against interest expense reported on Schedule D. Unrealized investment losses cannot reduce investment income or be onset as cost. Realized investment losses cannot be onset as cost.
- **Rental Income:** When non-program revenue is generated, offset the associated revenue against rent/lease expense, depreciation, and other related property expense.
- **Restricted Contributions:** Offset related expenses if a contribution is restricted to a specific individual. Contributions that are restricted for capital expenditures, designated to fund service operating deficits or provided to fund a required operating reserve are not required to be offset on Schedule D.
- **Government Grants:** Offset related expenses subsidized by the funds received from the government grant. Expenses incurred for activities funded through government grants shall be reported as Other Programs expense on Schedule D or awarded amounts should be used to offset grant funded expenses, dependent upon the facts and circumstances of each grant.
- **Miscellaneous Revenue:** Requires an offset against related expense on Schedule D. Examples include, but are not limited to: Vending Revenue, Records Copy Fees, or Insurance Proceeds.
- **Gain/loss on sale of assets:** Offset/onset depreciation depending on the type of disposed asset.

## Instructions for Schedule A-1: Revenue Detail Report

The purpose of *Schedule A-1: Revenue Detail Report* is to report detailed HCBS/MFP Fee for Service (FFS) revenue information by payor and by service.

Individual columns (Columns 7 – 20) are provided to itemize FFS revenue for each HCBS service. Please note, FFS revenue received through an Exception to Policy (ETP) to exceed the maximum rate for FFS members should be reported on Schedule A-1 in the ETP columns (Columns 18-19). If more than two columns are needed utilize any of the unused columns and include a note indicating which columns are used to represent ETPs in the Supporting Schedule 1 or 2. A column is also provided to report combined Money that Follows the Person (MFP) revenue.

This schedule is broken into two sections. The first section is specific to Iowa Medicaid Fee for Service revenue and the second section is specific to Fee for Service revenue from Iowa Medicaid Managed Care Organizations (MCO) or other payors.

Revenue should be reported using the accrual basis based on services provided during the cost report period. Do not report revenue based on paid date.

By default, cells on Schedule A-1 are all shaded gray. Based on the data entered on the Statistical Data tab, cell shading will change from gray to green to indicate that a data input is necessary. In each column, as applicable, report the following:

**Line 1: Total Gross Revenue for Services provided in the Current Period.** Report the total amount billed to Iowa Medicaid for each service.

**Line 2: Payments Received for Services provided in the Current Period.** Report the amount of total payments received from Iowa Medicaid based on the date the cost report was completed for each service.

**Line 3: Payments Expected Not Yet Received for Services provided in the Current Period.** Report the amount of payments still outstanding from Iowa Medicaid, but the provider is confident will be received as of the date the cost report was completed for each service.

**Line 4: Net Payments.** This field is a sum of payments by service reported on lines 2 and 3 and cannot be edited.

**Line 5: Contractual Allowances/Adjustments.** This field is the difference between the *Gross Revenue for Current Period* (Line 1) and *Net Payments* (Line 4) and cannot be edited. Contractual Allowances/Adjustments will not be factored into payments on Schedule D-3, used to reconcile Iowa Medicaid Fee for Service payments. Some examples of allowances or adjustments include:

- Any revenue not expected to be received (i.e. billing not filed timely, or denied and not to be rebilled).
- Difference between the actual payment received and the usual and customary charge billed.

**Lines 6-9: Net Amerigroup/Iowa Total Care/Molina Healthcare of Iowa/Other Payor Payments.** Report the total amount of payments the provider has received and payments outstanding that the provider is confident will be received as of the date the cost report was completed for each service.

## Instructions for ARPA HCBS Funds

The purpose of this schedule is to summarize funds received from the Department of Health and Human Services (DHHS) for the following:

- HCBS ARPA Recruitment and Retention
- HCBS ARPA Health IT and Infrastructure
- HCBS ARPA Remote Monitoring
- HCBS ARPA Employee Training & Scholarship

These funds are described in the Informational Letters (IL) included at the bottom of the “ARPA” tab.

**Question 1:** Utilize the drop-down menu to indicate if the agency has received any HCBS ARPA Recruitment and Retention funds per the identified IL's.

- If yes, continue with Questions 2-4.
- If no, skip to question 5.

**Question 2:** Utilize the drop-down menu to indicate if the HCBS ARPA Recruitment and Retention funds were also used for employee benefits or payroll taxes.

**Question 3:** Utilize the drop-down menu to indicate if the HCBS ARPA Recruitment and Retention fund disbursements are reported in the Excluded Cost Column (Column 2) on Schedule D.

**Question 4:** For each applicable year, enter the HCBS ARPA Recruitment and Retention funds received, disbursed, or returned as well as the Schedule D line number where expenses paid with ARPA Recruitment and Retention funds are reported, and any other notes relevant to the cost report.

**Question 5:** Utilize the drop-down menu to indicate if the agency has received any HCBS ARPA Health IT and Infrastructure funds per the identified IL's.

- If yes, continue with Questions 6-7.
- If no, skip to question 8.

**Question 6:** Utilize the drop-down menu to indicate if the HCBS ARPA Health IT and Infrastructure fund disbursements are reported in the Excluded Cost Column (Column 2) on Schedule D.

**Question 7:** For each applicable year, enter the HCBS ARPA Health IT and Infrastructure funds received, disbursed, or returned as well as the Schedule D line number where expenses paid with ARPA Health IT and Infrastructure funds are reported, and any other notes relevant to the cost report.

**Question 8:** Utilize the drop-down menu to indicate if the agency has received any HCBS ARPA Remote Monitoring funds per the identified IL's.

- If yes, continue with Questions 9-10.
- If no, skip to question 11.

**Question 9:** Utilize the drop-down menu to indicated if the HCBS ARPA Remote Monitoring fund disbursements are reported in the Excluded Cost Column (Column 2) on Schedule D.

**Question 10:** For each applicable year, enter the HCBS ARPA Remote Monitoring funds received, disbursed, or returned as well as the Schedule D line number where expenses paid with ARPA Remote Monitoring funds are reported, and any other notes relevant to the cost report.

**Question 11:** Utilize the drop-down menu to indicate if the agency has received any HCBS ARPA Employee Training and Scholarship funds per the identified IL's.

- If yes, continue with Questions 12-13.

**Question 12:** Utilize the drop-down menu to indicated if the HCBS ARPA Employee Training and Scholarship fund disbursements are reported in the Excluded Cost Column (Column 2) on Schedule D.

**Question 13:** For each applicable year, enter the HCBS ARPA Employee Training and Scholarship funds received, disbursed, or returned as well as the Schedule D line number where expenses paid with ARPA Employee Training and Scholarship funds are reported, and any other notes relevant to the cost report.

## Instructions for Schedule B: Staff Numbers, Hours, and Wages

The purpose of *Schedule B: Staff Numbers, Hours, and Wages* is to report the number of staff, hours, and wages by job classification and by function (Excluded, Indirect, Other Programs or HCBS).

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

- **Lines 301-306 – Administrative Management (Sch. D, Line 2110):** Salary of the Executive Director or CEO and others in executive or administrative management roles.
- **Lines 308-313 – Direct Care Supervision (Sch. D, Line 2120):** These positions provide oversight, assistance, and support to direct support staff. May provide some direct service to the member in the absence of direct support staff and may supervise some direct support staff activities. Examples of positions include program directors, program supervisors, team leaders, and coordinators.
- **Lines 315-320 – Direct Care (Sch. D, Line 2130):** These positions provide direct care, support, and assistance to the members. Wages include cash compensation and may also include noncash compensation of room and board, when applicable. Direct care wages must reflect all direct support hours provided by agency personnel, including time spent on progress notes, phone calls, and staffing meetings.
- **Lines 322-326 – Business Office/Clerical (Sch. D, Line 2140):** Salaries and wages for other administrative/clerical positions, including, but not limited to scheduler, bookkeepers, and clerical support.
- **Lines 329-333 – Other Staff (Sch. D, Line 2150):** This line is for any other salaries and wages that do not fit in the definitions of the lines above.

All contracted staff should be reported separately for each job classification using the included line on Schedule B. Host home fees should not be included on Schedule B. Member Wages should be reported using the included line on Schedule B, Line 333 (Schedule D, Line 2150).

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

Select the most appropriate job classification based on the functions of each position. If an employee or position performs multiple job functions, select the appropriate classification based on the primary function of the individual or position and report the entire salary expense on a single line. It is no longer necessary to allocate salary between salary lines based on job function. For example, if the Executive Director spends majority of their time overseeing operations but also provides some direct care services, report all the Executive Director’s wages and hours as Administrative Management on Schedule B, lines 301-306 (Sch. D, Line 2110).

**Total Number of Staff (1):** Enter the number of people working full time or part time at the end of the cost report period.

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

**Total Paid Hours (3):** Enter total paid hours for each identified position in column 3.

**Wages and Hours (Columns 4 – 13):** Enter the number of wages and hours worked for Excluded, Indirect, Other Programs, HCBS 15 Minute, and HCBS Daily in columns 4 – 13 as applicable. The sum of wages entered in columns 4, 6, 8, 10, and 12 should equal Gross Salaries and Wages in Column 2. The sum of hours in columns 5, 7, 9, 11, and 13 should equal total paid hours in Column 3.

Gross Salaries and Wages reported on Schedule B in columns 4, 6, 8, 10, and 12 will auto populate amounts reported on Schedule D in the corresponding expense columns.

Agencies are required to maintain supporting documentation identifying the number, type of staff, hours, and wages related to HCBS services that are reported on the cost report. If staff is responsible for multiple programs or services, acceptable documentation as discussed in the instructions to Schedule F must be maintained, and submitted upon request, to support salary allocations between programs and services. Estimates are not acceptable. See Schedule F instructions for acceptable cost allocation methods and documentation.

In excel columns AA and AB, there are check figures for each row. “ERROR” will show up in these columns in red text if the distribution of wages and hours between excluded, indirect, other program, HCBS 15 MIN and HCBS Daily does not equal the gross amount reported of wages or hours. Correct all errors before submitting the cost report to Iowa Medicaid PCA.

## Instructions for Schedule C: Property and Equipment Depreciation

The purpose of *Schedule C: Property and Equipment Depreciation* is to report information related to depreciable assets owned by the provider as well as amortization. The totals reported on *Schedule C* are reported on *Schedule D*, Lines 4410 - 4450.

**Capitalization Threshold:** 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 Straight Line depreciation. If a depreciable asset has a historical cost of less than \$5,000, or if the asset has a useful life of less than 2 years, the entire cost of the depreciable asset may be expensed in the year it is acquired.

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

**Documentation:** Depreciation and amortization should be summarized on *Schedule C* by asset category. A detailed asset schedule, which identifies the following information for each individual asset, must be maintained and submitted upon request.

### **Calculation of Straight Line Depreciation Expense:**

- **Construction in Process (Column 1):** Record cost associated with any new construction not yet placed into service as of the end of the cost report period.
- **Beginning Historical Basis (Column 2):** Record the property and equipment at its original cost. Cost should trace to the prior year's annual HCBS cost report *Schedule C*, Ending Historical Basis.
- **Purchases During Period (Column 3):** Record assets purchased or acquired during the fiscal year.
- **Disposals During Period (Column 4):** Record assets disposed during the fiscal year. Enter amounts as a positive number.
- **Ending Historical Basis (Column 5):** This column is formulated to calculate the Beginning Historical Basis (2) plus Purchases during Period (3) minus Disposals During Period (4).
- **Allowable Accumulated Straight Line Depreciation Reported in Prior Years (Column 6):** Enter in the amount by adding the depreciation accumulated from prior years less any disposals.
- **Straight Line Useful Life (Column 7):** The useful life of the asset should be determined utilizing the most recent edition of the *Estimated Useful Lives of Depreciable Hospital Assets*, published by the American Hospital Association, for depreciation.
- **Straight Line Depreciation for Current Period (Column 8):** Enter the amount of depreciation for the property and equipment on a straight-line basis.

### **Calculation of Depreciation Expense per Books:**

- **Book Method (Column 9):** Enter the depreciation method used by the agency to calculate depreciation in the general ledger or accounting records.

- **Book Annual Rate % (Column 10):** Enter the annual percentage rate used to calculate depreciation in the general ledger or accounting records.
- **Book Depreciation Expense (Column 11):** Enter the total amount of depreciation recorded in the agency's general ledger.
- **Accumulated Book Depreciation End of Period (Column 12):** Obtain this information by adding the depreciation accumulated on the agency's books from prior years less any disposals.

For cost report purposes, only straight-line depreciation expense may be reported in reimbursable cost. When an agency uses a depreciation basis other than straight-line, an adjustment to convert from Book Depreciation to Straight-Line Depreciation is necessary. This adjustment can be reported on Schedule D, Column 2, Excluded Cost. See also Schedule D instructions for the Excluded Cost Column.

## Instructions for Schedule C-1: Residential Property Expense

The purpose of *Schedule C-1: Residential Property Expense* is to identify property expense incurred by the agency for member residences (member room and board). Expenses are often from property owned by the agency and leased to the member as well as from property leased by the agency and subleased to the member.

Any property expense incurred from the ownership or lease of member residences (member room and board) is not reimbursable for the HCBS waiver program per IAC Chapter 78 (see table below) and per the HCBS Provider Manual. These expenses should be reported as Other Program Costs or as Excluded Costs on Schedule D of the cost report.

- Intellectual Disability (ID) services 441-78.41
- Brain Injury (BI) services 441-78.43
- Children's Mental Health (CMH) services 441-78.52
- Health and Disability (HD) services 441-78.34

To indicate if the agency owns or leases residential property used by members, select “yes” or “no” using the drop-down menu.

- If “no” is selected, meaning the agency does not own or lease any residential property used by members, the remainder of Schedule C-1 is not applicable.
- If “yes” is selected, meaning the agency does own or lease residential property used by members, complete applicable columns 2 – 20.

Schedule C-1 provides specific expense lines based on common residential expenses. A blank line is also provided for any expense that does not reasonably belong in any of the standard categories already provided. When it is necessary to use the blank line, include a short description in the Expense Item column and enter the Schedule D Line where the expense is reported on Schedule D. If the expense is reported on more than one line on Schedule D, enter the word “various” and use Supporting 1 or 2 to provide detail.

**Note:** Report only property expense for **residential** property used by members (member room and board). Do not report property expense for non-residential property. Additionally, the amounts reported on this schedule will likely not match the amounts on Schedule D because Schedule D includes all property cost, not just member residence property costs.

## Instructions for Schedule D: Expense Report

The purpose of *Schedule D: Expense Report* is to report total agency expenses and assign or allocate those expenses to the various services provided by the agency. Reported costs should be consistent with the costs included on the general ledger.

Report the total cost of operation for all programs and services the agency provides, as opposed to reporting only the costs of HCBS services. The inclusion of all agency costs on this schedule is required so that:

- Cost allocation to all services and programs of the agency may be observed together as one overall calculation.
- Consistency of cost assignments and allocations can be reviewed from one fiscal period to the next.

The line numbers for expenses are not intended to be an all-inclusive list of provider expenses. The number system used on this schedule is not important, other than to have a basis of identifying expenses in a manner that is uniform for reporting purposes.

All expenses reported on the cost report must be supported by the agency's general ledger and other contemporaneous documentation. This documentation must be made available to the Department or the Department's fiscal consultant upon request. This documentation includes any calculations or spreadsheets used to determine allocation percentages as well as underlying source documents for allocation metrics, including, but not limited to, time studies, direct service hours, FTE counts, square footage, or space usage studies.

These records include, but are not limited to:

- Payroll ledger,
- Capital asset schedules including information to calculate straight-line depreciation,
- Financial statements and audit reports (if any),
- Bank statements,
- Square footage floor plans,
- Time and space usage studies,
- Loan agreements,
- Lease agreements,
- Census reports,
- Allocation metrics and related calculations,
- Canceled checks, deposit slips, and invoices (paid and unpaid), and
- Board of directors' minutes.

The agency must maintain detailed records in a format that can be easily reviewed or audited at any time.

Expenses for a particular service or program are that program's expenses. Expenses for one service shall not be reported as expenses for any other service. Some costs a provider incurs may not be reasonable or necessary for the provision of a service.

Therefore, those expenses identified as not contributing to the provision of services shall not be included in the cost of the service. Agencies may choose to provide the benefits or incur the cost but may not include them as an expense for that service.

## Instructions for Schedule D: Expense Report (continued)

### Column Descriptions:

- **Total Expense (Column 1):** Report all expenses incurred by the agency. This column should reconcile to the agency's audited financial statements, general ledger, or trial balance. Any difference between the amounts shown in this column and the agency's financial documentation must be disclosed in Supporting Schedule 1 or 2.
  - Amounts on Lines 2110, 2120, 2130, 2140, and 2150 populate from Schedule B and cannot be edited.
- **Excluded Costs (Column 2):** Enter expense adjustments in Column 2. Adjustments may reflect fundraising or other Unallowable costs. Other examples include adjustments from Book Depreciation to Straight-Line Depreciation per Schedule C or to exclude member room and board cost per Schedule C-1. Cost adjustments that are a reduction to cost should be input as a negative amount.

The Excluded Cost column can be used to reclassify an expense from one line to another.

This column should not include any revenue offset amounts from Schedule A as all revenue offsets are required to be reported on the bottom of Schedule D on line 6300.

Schedule D includes Lines 5210 – 5290 to report many, but not all, non-reimbursable expenses. Expenses reported on these lines may be excluded in the Excluded Cost column or assigned/allocated to the Indirect, Other Programs, and HCBS service columns. Any amount assigned/allocated to the Indirect, Other Programs, and HCBS service columns will not be included in *Total Expenses (Excluding Non-Reimbursable)* on Line 6000 and are reported for informational purposes only. Non-reimbursable expenses not reported on Lines 5210 – 5290 must be reported to the excluded cost column.

In accordance with 441 IAC Chapter 78, Chapter 79.1(15), Chapter 79.9(1) and CMS Publication 15-1, examples of non-reimbursable costs include, but are not limited to:

- Fundraising
- Promotional advertising and marketing
- Lobbying
- Bad debt
- Income Taxes
- Member room and board
- Some expenses paid to related parties
- Expenses not related to member care
- Mileage reimbursement expense in excess of the IRS business use mileage reimbursement rate.
- The difference between book depreciation expense and straight-line depreciation expense.
- Key person (D&O) life insurance where the agency is the beneficiary

## Instructions for Schedule D: Expense Report (continued)

- **Adjusted Costs (Column 3):** This column calculates costs that are allowable and allocable to HCBS services, other programs, and indirect costs. This column is a calculated field equal to the sum of Total Expense (Column 1) and Excluded Costs (Column 2) and cannot be edited.
- **Allocation Basis (Column 4):** Use the drop-down menu to select the appropriate allocation basis from Schedule F to assign/allocate costs between Columns 5 - 20. The numbers in the drop-down menu will correlate to the allocation bases described in detail on Schedule F.
- **Indirect Costs (Column 5):** This column should include expenses that are related to, and allowable for, all programs and services. These are expenses that were incurred in support of all agency operations. Indirect cost may be reported on any Schedule D line, as appropriate. These costs will be allocated on Schedule D-1 across all programs and services and summarized at the bottom of Schedule D.
- **Joint Direct Costs:** These are expenses that can be identified specifically to more than one program or service, but do not benefit all agency operations, and can be allocated to those programs using an allocation method that reasonably and fairly distributes cost. Joint Direct Costs should be allocated between any expense columns on Schedule D, as applicable. For example, a leased building is used for administrative offices and Habilitation Services. The rent expense for the building should be allocated between the Indirect Costs column (Administrative Offices) and the Other Programs column (Habilitation Services) based on square footage or another applicable allocation basis. The entirety of the rent expense should not be reported to the Indirect Costs column.
- **Programs/Services Costs:** As described below, report the direct and joint direct costs of programs and services in the Other Program Costs column and HCBS Service Costs columns as applicable. Report any expense that relates directly to a particular service in the applicable service's direct cost column on Schedule. Allocate joint direct costs to the applicable services using a method that reasonably and fairly distributes cost and report the apportioned cost in the applicable services' direct cost columns on Schedule D.
  - **Other Program Costs (Excluding MFP) (Column 6):** Any service or program not specifically identified on the cost report Statistical Data schedule are considered an 'Other Program.' Report the consolidated direct and joint direct costs of all other programs and services rendered by the agency. Documentation or working papers for costs reported in this column must be maintained, be organized by program or service, and be in an easily audited format.
  - **HCBS Service Cost (Columns 7-20):** Report direct and joint direct costs for each identified HCBS service, as applicable. Report expenses for all HCBS services provided, including services funded through Iowa Medicaid FFS, Iowa Medicaid Managed Care Organizations or Other payors of like-kind services (not including Habilitation Services).

## Instructions for Schedule D: Expense Report (continued)

**Conditional Formatting and Check Figures:** In excel column W there is a check figure formula that compares the sum of columns 5-20 to column 3. If there is a variance more than +/- \$5, the entire row's shading and text will turn red along with "ERROR" showing in column W. Correct all errors before submitting the cost report to Iowa Medicaid PCA.

**Twenty Percent Limitation:** Per 441 IAC 79.1(15)b(3), some expenses are subject to a 20% limit. The following costs are not subject to the 20 percent limit; however, the following costs are used to calculate the limitation:

1. Wages, benefits, and payroll taxes.
2. Direct care transportation expense—with and without member present.
3. Direct care development, training, and supplies.
4. Member-specific assistance.
5. Member-specific equipment repair or purchase.

Account Titles on Schedule D shaded in gray indicate the expense line is not subject to the limit.

Account Titles on Schedule D followed by a ^ symbol indicate the expense line is subject to the limit.

All expenses reported on an individual Schedule D expense line will either be subject to the limit or not subject to the limit, regardless of whether the expense is reported in the HCBS Service Cost Columns or reported in the Indirect Cost Column.

Supplemental Schedule D-2 will calculate the limited portion of each expense. See Schedule D-2 instructions.

### Schedule D Account Title Descriptions:

- **Line 2110 to 2150 – Salary Expense:** As described in the instructions for Schedule B, report the salary, including regular pay, overtime pay, sick pay, holiday pay, vacation pay, bonus, and other compensation expense, for the reporting period on the applicable salary expense (Lines 2110 – 2150). Report the entire salary expense for each job classification on a single line. It is no longer necessary to allocate salary between salary lines based on job function.

The cost of contracted personnel should be reported on Lines 2110 to 2150; however, host home fees should not. See description for Line 2420.

- **Line 2210 – Health Benefits:** Cost of the employer's portion of health, dental, and vision insurance benefits and premiums for employees whose salary and wages are reported on Lines 2110-2150.

## Instructions for Schedule D: Expense Report (continued)

- **Line 2220 – Other Benefits:** Cost of employer contributions to defined retirement plans, 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 is not allowable and should be reported on Line 5240.
  - Benefit costs should not include travel or training costs.
  - Do not report vacation, sick, holiday, other PTO pay or bonus salary. This should be reported on Lines 2110 – 2150 as wages.
- **Line 2310 – FICA Expense:** 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.
- **Line 2320 – Worker's Compensation & Unemployment:** Federal and State unemployment tax (insurance) and worker's compensation insurance costs associated with salaries and wages included in Lines 2110-2150.
- **Line 2410 – Medical & Psych Services Purchased:** Cost of medical, psychiatric or psychological services for members purchased from a contracted vendor.
- **Line 2420 – Host Home Direct Care Services:** Fees paid to Host Home contractors for direct care services provided to members living in a host home residence.
- **Line 2430 – 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 Lines 2110 – 2150, as applicable, if these functions are completed by agency employees.
- **Line 2440 – Attorney's Fees:** Costs for services rendered by a contracted vendor related to legal fees as well as expert witnesses, accounting fees and other consulting fees incurred in an administrative or judicial proceedings.

To be allowable, costs must be for services rendered for legal consultation directly related to member care. This includes routine policy review. Legal costs related to reorganization are not allowable.

For any reported allowable costs, documentation (e.g., copies of the paid invoices, complaint, or judgment) must be maintained and submitted on request. Documents should indicate when the expense was incurred, when it was paid, and a summary of hours and hourly rates paid.

## Instructions for Schedule D: Expense Report (continued)

- **Line 2450 – IT and Electronic Health Records (EHR) Consulting:** Costs or fees for services rendered by a contracted vendor for performing computer maintenance, software licensing and technical consultation for general IT and EHR functions. Cost of hardware and equipment should not be reported on Line 2450 but should instead be reported on Lines 2540, 4320, and 4430, as applicable.
- **Line 2460 – Claims Processing:** Costs of services rendered by a contracted vendor for submitting claims for payment. Employee wages should be reported on Line 2140 if this is an agency employee.
- **Line 2470 – Other Non-Medical:** This line is for any miscellaneous non-medical professional fees that do not fit the definitions of the lines above. These may include services such as security service expense. Provide an itemized listing of the reported costs on Supporting Schedule 1 or 2.
- **Line 2510 – Office Supplies:** Costs related to small, expendable, daily use office supplies used on a recurring basis for general business functions and office operations.
- **Line 2520 – Medical Supplies:** Cost of medical supplies such as nonprescription drugs, dressings, etc.
  - The cost of routine medical supplies are customarily used to provide patient care services. Routine supplies are usually not designated for a specific member. The cost of routine medical supplies may be a direct or indirect cost of HCBS Waiver services.
  - Costs of non-routine medical supplies are identifiable to individual members and are usually directly billable. Non-routine supplies are usually furnished at the direction of the member's physician. The cost of non-routine medical supplies and any billable medical supply should be reported as a direct Other Program cost.
- **Line 2530 – Direct Care Training Supplies:** Cost of direct care training course materials. Report training registration fees on Line 3310.
- **Line 2540 – 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 2550 – Food:** Food and nutritional supplement expenses.
- **Line 2600 – Telephone, Internet & Postage:** Expenses for telephone, internet, postage and shipping.

## Instructions for Schedule D: Expense Report (continued)

- **Line 2810 – Rent of Space / Lease of Facility:** Lease of building space. Equipment rent expense should be reported on Line 4320.

Lease transactions with a related party should be reported on Schedule G. The lease/rent expense incurred by the provider is not an allowable cost. The provider should instead report the lessor's costs of ownership of the leased property. The lessor's cost of ownership generally includes costs such as depreciation, mortgage interest, real estate taxes, maintenance, etc. The Excluded Cost column (column 2) should be used to adjust the expense to the lessor's allowable cost of ownership.

- **Line 2820 – Building & Grounds 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:** Interest paid on property and improvement loans for the agency and capital assets.

Interest expense should be reduced on Line 6300 by realized investment income reported on Schedule A, except where the income is from gifts and grants, whether restricted or unrestricted, and held separate and not commingled with other funds.

Interest expense to a related party is not allowable.

- **Line 2850 – 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 3110 – Employee Recruitment & Yellow Page Advertising:** Costs of advertising for hiring of open positions and the reasonable cost of a standard listing in the local yellow pages. These costs are allowable advertising costs.
- **Line 3120 – Promotional Advertising / Marketing:** Advertising are those costs associated with developing advertising media, including print, radio, television and digital media, direct mail, exhibits, etc. Public relations are 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. Promotional advertising, public relations, and marketing are not allowable costs and should be reported in Column 2, Excluded Costs.

## Instructions for Schedule D: Expense Report (continued)

**Line 3120 (Continued)** At times, marketing and promotional activities can include fundraising. Fundraising are those costs associated with the organized activity of raising funds for the agency. Fundraising costs are also not allowable costs and should be reported in Column 2, Excluded Costs or reported on Schedule D, Line 5280.

Professional fees for contracted vendors as well as salaries and wages for agency employees responsible for advertising, public relations, fundraising, and marketing should be reported on other lines of Schedule D and reported in Column 2, Excluded Costs.

- **Line 3210 - Direct Care Mileage Reimbursement:** Report staff mileage reimbursement for business use of a personal vehicle when used for direct care. Mileage reimbursement expense is limited to the IRS business use reimbursement rate. Vehicle usage must be tracked in order to support the expense allocation between services, programs, and specific lines of the cost report. When applicable, support should also include member and location information to properly support expense allocations.
- **Line 3220 – Non-Direct Care Mileage Reimbursement:** Report staff mileage reimbursement for business use of a personal vehicle related to general operations of the agency. Mileage reimbursement expense is limited to the IRS business use reimbursement rate. Vehicle usage must be tracked in order to support the expense allocation between services, programs, and specific lines of the cost report. When applicable, support should include travel purpose and destinations to properly support expense allocations.
- **Line 3310 – Staff Development & Training:** Costs of training seminars and courses, such as registration fees, course materials etc.
- **Line 3320 – Annual Meetings & 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 3330 – Direct Care Development & Training:** Report the cost of training workbooks and supplies, course fees, and certification fees.
- **Line 3400 – Subscriptions & Dues:** Costs for subscriptions and publications to industry related publications. Costs of dues for belonging to a professional organization, including agency associations and professional organizations of all staff. Any part of the dues that are classified by the association or organization as lobbying should be reported on Line 5270.

## Instructions for Schedule D: Expense Report (continued)

- **Line 3510 – Member Specific Equipment Purchase/Repair:** HCBS Waiver SCL and CMH cost of member environmental modification and repairs and member environmental furnishings as specified in the member service plan.

Member environmental modification, repairs, and furnishing expenses not identified in the member's service plan are not reimbursable through the HCBS waiver programs and the expense should be reported in the Excluded Costs column.

Examples of allowable HCBS waiver expenses in this line may include, but are not limited to:

- Modification and repair of the living area due to specific needs of the member including: wheelchair lifts, ramps, and repairs due to destruction of property by the member that are not covered under home and vehicle modification.
- Items required to establish a home for a member moving out of a group facility, including bed and mattress, dresser, and kitchen supplies.

All items should be needs, not wants, which are necessary to meet the basic needs of the HCBS waiver member. Reimbursement for member environmental modification and repairs and member environmental furnishings is ONLY available for the HCBS waiver program.

- **Line 3520 – Member Specific Assistance:** HCBS Waiver SCL and CMH services costs related to member consulting and member instruction, as specified in the member's service plan. Member consulting and instruction expenses for purposes not identified in the service plan are not reimbursable through HCBS waiver programs and the expense related to these services should be reported in the Excluded Costs column.

Member consulting may include, but is not limited to:

- Behavior programming and training.
- Consulting with specialists for conditions specific to the member. Examples include autism and brain injury.

Member instruction may include, but is not limited to:

- Reinforcement for behavior modification such as the purchase of rewards as identified in the service plan to reinforce the achievement of a service plan goal.
- Programming and socialization activities, which may include expense for both the member and staff member, but must be necessary for the achievement of a goal.
- Examples: Staff member admission to a sporting or cultural event is necessary, but snacks are not. Staff member participation in a group bowling activity is not necessary.

- **Line 4210 – Direct Care Agency Vehicle Lease:** Costs associated with agency vehicle lease or rent expense used for direct care services. Vehicle usage must be tracked in order to support the expense allocation between services, programs, and specific lines of the cost report. When applicable, support should also include member and location information to properly support expense allocations.

## Instructions for Schedule D: Expense Report (continued)

- **Line 4220 – Non-Direct Care Agency Vehicle Lease:** Costs associated with agency vehicle lease or rent expense used for general operations of the agency. Vehicle usage must be tracked in order to support the expense allocation between services, programs, and specific lines of the cost report. When applicable, support should also include travel purpose and destination to properly support expense allocations.
- **Line 4230 – Other Direct Care Agency Vehicle:** Actual expense incurred for the operation and maintenance of agency-owned vehicles (insurance, gas, oil changes and other routine maintenance, etc.) used for direct care services. Vehicle usage must be tracked in order to support the expense allocation between services, programs, and specific lines of the cost report. When applicable, support should also include member and location information to properly support expense allocations.
- **Line 4240 – Other Non-Direct Care Agency Vehicle:** Actual expense incurred for the operation and maintenance of agency-owned vehicles (insurance, gas, oil changes and other routine maintenance, etc.) used for general operations of the agency. Vehicle usage must be tracked in order to support the expense allocation between services, programs, and specific lines of the cost report. When applicable, support should also include travel purpose and destination to properly support expense allocations.
- **Line 4310 – Agency Equipment Repair:** Costs related to repairing agency equipment that is used to support the agency.
- **Line 4320 – Small Equipment Purchase/Rental:** Rental cost of equipment or costs related to the purchase of small equipment that is used to support the operations of the agency that does not meet the depreciation guidelines.
- **Lines 4410 / 4420 / 4430 / 4440 – Direct Care Agency Vehicles, Non-Direct Care Agency Vehicles, Equipment & Buildings and Leaseholds Depreciation:** Depreciation cost for equipment, vehicles and buildings owned by the agency. Straight-Line Depreciation must be used. See instructions for Schedule C and Schedule C-1.
- **Line 4450 – Amortization:** Agency amortization of start-up costs, Do-Not-Compete Agreements, etc.

Start-up costs must be amortized over five years. Amortization of Do-Not-Compete Agreements is not allowable and should be reported to Column 2, Excluded Costs.

- **Line 4910 – Employee Moving:** Cost to relocate employees or the administrative offices.
- **Line 4920 – Background Check:** Costs related to conducting criminal record checks on employees.
- **Line 4930 – Bank Fees:** Costs related to insufficient funds, overdraft fees, late payments, etc.

## Instructions for Schedule D: Expense Report (continued)

- **Line 4940 – Liability Insurance:** Costs of general liability insurance.
- **Line 4950 – 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 on Schedule D Line 6300 by realized investment income 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 4960 – 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 5110 – Home Office Expenses:** A home office provides essential services, typically administrative in nature. An appropriate share of costs to provide administrative support services by a home office 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.

Agencies with a home office must annually provide the name of the home office and a cost statement, including allocations to the individual agencies, providers, or services. The cost statement and allocation calculations should identify specific information about costs on the provider's cost report. All expenses related to the home office should be reported on this line.

The Excluded Cost column should be used to adjust amounts reported in Column 1 so that amounts reported in Adjusted Costs (Column 3) are the provider's portion of actual and allowable home office cost. Estimates or interim fees are not allowable.

- **Line 5120 – Management Fees:** Costs for professional fees paid to a third-party management company should be reported on this line. The agency should have a management agreement to support the costs reported on this line.
- **Line 5210 – Bad Debt:** 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.
- **Line 5220 – Income Tax:** Report income tax expense incurred during the period. These costs are not reimbursable.
- **Line 5230 – Board of Director Fees:** Costs incurred for the board of directors. These costs are not reimbursable.
- **Line 5240 – Officer's Life Insurance:** Costs to maintain a key person's insurance policy on an officer or administrator where the agency is the beneficiary. These costs are not reimbursable.
- **Line 5250 – Contributions/Donations:** Donations and contributions made by the agency. These costs are not reimbursable.

## Instructions for Schedule D: Expense Report (continued)

- **Line 5260 – Fine/Penalties (Law Violation):** Costs related to penalties and fines related to a violation of law. These costs are not reimbursable.
- **Line 5270 – Lobbying:** Costs related to lobbying fees paid by the facility. These costs are not reimbursable.
- **Line 5280 – Fundraising:** Costs related to fundraising expenses incurred by the agency. These costs are not reimbursable.
- **Line 5290 – Other Non-Reimbursable:** Use this line for any miscellaneous agency cost that does not fit the definitions of any lines above and are non-reimbursable. Provide a list detailing the costs reported on Supporting Schedule 1 or 2.

Expenses reported on Lines 5210 – 5290 may be assigned/allocated to the Other Programs or HCBS Service Cost columns. However, if a non-reimbursable cost is reported to any other line on Schedule D, the cost must be reported to the Excluded Cost column.

**Line 5300 – Total Expenses:** The total of expenses itemized above in each Schedule D column. This includes non-reimbursable expense reported on lines 5210 – 5290.

**Line 6000 – Total Expenses (Excluding Non-Reimbursable):** The total from Line 5300 (Total Expense) less total non-reimbursable expense reported on lines 5210 – 5290.

**Line 6100 – Indirect Cost Allocation (from Sch. D-1):** This line reports Indirect Cost as reported in Column 5 and then allocated to each program and service on Schedule D-1.

Schedule D Column 5 reports total indirect cost incurred in support of all agency operations which must then be allocated between all agency programs and services.

To allocate Total Indirect Costs, **first** select the applicable allocation basis using the drop-down menu on Schedule D, Line 6100, Column 4.

There are two options.

- % of Direct: This is the default allocation basis which will allocate indirect cost using each column's percent of direct cost as reported on line 6000 in Columns 6 – 20. This is the most commonly used basis. When this basis is selected, Schedule D-1 v. 1 (Default) will auto populate.
- Other: This basis allows a provider to determine their own indirect cost allocation calculations. Multiple metrics can be used as applicable. When used, the provider must maintain, and make available upon request, documentation to support all allocation metrics and calculations used to allocate indirect cost. When this basis is selected, the provider must manually complete Schedule D-1 v. 2 (Other). This schedule will allow the provider to uniquely allocate each indirect expense.

Once the allocation basis has been selected on Schedule D, Line 6100, Column 4 and the applicable version of Schedule D-1 is completed, Line 6100 will then auto populate from the completed Schedule D-1.

## Instructions for Schedule D: Expense Report (continued)

**Line 6200 – Total Cost After Indirect Cost Allocation:** This is the sum of Line 6000 *Total Expense (Excluding Non-Reimbursable)* and Line 6100 (*Indirect Cost Allocation from Sch. D-1*).

**Line 6300 – Revenue Offsets from Sch. A:** Report revenue offsets from Schedule A Line 210 using the applicable amounts shown in Schedule A Columns 6 – 9. The revenue offset amounts from Schedule A Column 9 should be allocated between the applicable HCBS service columns on Schedule D consistent with the related expense allocation.

**Line 6400 – Indirect Revenue Offset Allocation (from Sch. D-1):** This line will allocate any revenue which offsets Indirect Cost, using the same allocation basis selected on Schedule D, Line 6100, Column 4.

If the default indirect cost allocation basis is selected, the revenue offset will be automatically allocated.

If the provider does not use the default basis, the provider will need to show the allocation for each applicable revenue offset on Schedule D-1 v. 2 (Other). Multiple metrics can be used as applicable. When used, the provider must maintain, and make available upon request, documentation to support all allocation metrics and calculations used to allocate indirect cost revenue offsets.

**Line 6500 – Total Cost After Revenue Offsets:** This is Line 6200 *Total Cost After Indirect Cost Allocation* less revenue offsets from Lines 6300 and 6400. Amounts reported on Schedule D, Line 6500 are then reported to Schedule D-3 to determine the Unit Cost After 20% Limit and Cost Reconciliation.

**Line 6600 – Total Units of Service:** This line reports total units for each HCBS service as reported on the Statistical Data page, Line 3. This is a formula and cannot be edited.

**Line 6700 – Unit Cost:** *Total Cost After Revenue Offsets* on Line 6500 is divided by *Total Units of Service* on Line 6600 to calculate the unit cost for each HCBS service on Line 6700. This is a formula and cannot be edited.

## Instructions for Schedule D-1: Indirect Cost Allocation

As noted previously, Schedule D Column 5 reports indirect cost incurred in support of all agency operations which must then be allocated between all agency programs and services. The purpose of Schedule D-1 is to allocate the Indirect Cost reported on Schedule D Column 5. Two versions of Schedule D-1 are provided within the cost report template to allow flexibility in allocation methodologies.

To allocate Indirect cost, **first** select the allocation basis using the drop-down menu on Schedule D, Line 6100, Column 4. There are two options.

- % of Direct: This is the default allocation basis which will allocate indirect cost using each column's percent of direct cost as reported on line 6000 in Columns 6 – 20. This is the most commonly used basis. When this basis is selected, Schedule D-1 v. 1 (Default) will auto populate.
- Other: This basis allows a provider to determine their own indirect cost allocation calculations. Multiple metrics can be used as applicable. When used, the provider must maintain and make available upon request documentation to support all allocation metrics and calculations used to allocate indirect cost. When this basis is selected, the provider must manually complete Schedule D-1 v. 2 (Other). This schedule will allow the provider to uniquely allocate each indirect expense.

Once the allocation basis has been selected on Schedule D, Line 6100, Column 4 and the applicable version of Schedule D-1 is completed, Line 6100 will then auto populate from the completed Schedule D-1.

Schedule D-1 v.1 (% of Direct): As noted above, this version of Schedule D-1 will auto populate when % of Direct is selected on Schedule D, Line 6100, Column 4. No other data entry is necessary. Do not complete Schedule D-1 v.2.

Schedule D-1 v.2 (Other): This version of Schedule D-1 should be manually completed when the allocation basis Other is selected on Schedule D, Line 6100, Column 4. Do not complete Schedule D-1 v. 1.

- Enter the allocation basis for each line containing Indirect Cost by using the drop-down menu in the Indirect Cost Allocation Method column to select the appropriate allocation basis from Schedule F to assign/allocate Indirect Cost between Columns 6 – 20.
- If you select “2” (% of Direct) from the drop-down list as the allocation basis for a specific line on this schedule, it will auto calculate the cost allocation for that line as long as the formula in the cost report template has not been removed.
- Documentation must be maintained, and made available upon request, for all metrics used to allocate any indirect cost.
- In excel column T, there is a check figure formula that compares the sum of columns 6-20 to column 5. If there is a variance more than +/- \$5, the entire row's shading and text will turn red along with “ERROR” showing in column W. Correct all errors before submitting the cost report to Iowa Medicaid PCA.

## Instructions for Supplemental Schedule D-2: 20% Limitation

The purpose of HCBS *Supplemental Schedule D-2: 20% Limitation* is to show the total identified cost from Schedule D and Schedule D-1 and calculate the limited cost amount. The Schedule D and Schedule D-1 expense lines classified as Identified Costs, which are used to calculate the 20% Limit, from IAC 441-79.1(15)b(3)1 are:

- Line 2100 – Total Salaries
- Line 2200 – Total Benefits
- Line 2300 – Total Payroll Taxes
- Line 2420 – Host Home Direct Care Service
- Line 2530 – Direct Care Training Supplies
- Line 3210 – Direct Care Mileage Reimbursement
- Line 3330 – Direct Care Development & Training Expense
- Line 3510 – Member Specific Equipment Purchase/Repair
- Line 3520 – Member Specific Assistance
- Line 4210 – Direct Care Agency Vehicle Lease
- Line 4230 – Other Direct Care Agency Vehicle
- Line 4410 – Direct Care Agency Vehicles

Schedule D Account Titles shaded in gray indicate the line is not subject to the limit and is an Identified Cost.

Schedule D Account Titles followed by a ^ symbol indicate the line is subject to the limit.

All expenses reported on an individual Schedule D expense line will either be subject to the limit or not subject to the limit, regardless of whether the expense is reported in the HCBS Service Cost Columns or reported in the Indirect Cost Column.

Expense amounts, by service, will auto populate on Supplemental Schedule D-2 from the corresponding expense line on Schedule D and Schedule D-1.

Calculations at the bottom of Schedule D-2 determine the limit amount at 20 percent of identified costs. Reported costs in excess of the 20% Limit are calculated on Schedule D-2 and carried to Supplemental Schedule D-3.

## **Instructions for Supplemental Schedule D-3: Reconciliation of Costs and Payments**

The purpose of HCBS *Supplemental Schedule D-3: Reconciliation of Costs and Payments* is to calculate the allowable unit cost for each service and compare it to payments received.

All prospective rates are subject to retrospective adjustment based on reconciliation of provider's reasonable and proper actual service costs, adjusted for the legislative inflation percentage per the Iowa Administrative Code 441-79.1(15), with the revenues received for those services.

Schedule D-3 populates using data from other schedules and does not require manual entry.

Costs for each service will populate from Schedule D along with limitation adjustments from Schedule D-2 to calculate Total Cost After 20% Limit. The calculated Total Cost After 20% Limit is then divided by total units to determine the Unit Cost After 20% Limit.

The ID Daily SCL columns will calculate a payment rate for informational purposes only as these services are paid through tier rates and no longer subject to cost reconciliation.

If applicable, the next section of Schedule D-3 calculates the Balance Due Medicaid Program, for Iowa Medicaid Fee for Service payments. The percentage of Net Iowa Medicaid Fee for Services Payments to Total Payments is calculated based on amounts entered on Schedule A-1 for each service. The Iowa Medicaid Fee for Service Payments as a Percentage of Total Payments is then used to determine the portion of Total Cost After 20% Limit attributed to Iowa Medicaid. This amount is then adjusted for the legislative inflation percentages based on IAC 441-79.1(15)f(2-3) and compared to the Net Iowa Medicaid Fee for Service Payments. If positive, there is an amount due. If the amount is negative, no balance is due.

## Instructions for Schedule E: Comparative Balance Sheet

The purpose of *Schedule E: Comparative Balance Sheet* is to report the balance sheet of the provider as of the end of the reporting period. 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 financial report. 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.

- **Assets, Liabilities, and Equity:** The total assets must equal the total liabilities and equity.
- **Balance at End of Current Period:** Enter the amount in effect for the last day of the reporting period.
- **Balance at End of Prior Period:** Enter the amount in effect for the last day of the previous reporting period.
- **Reconciliation of Equity or Fund Balance:** The “add” and “deduct” entries should provide an explanation of any difference in the total equity or fund balance between the beginning and end of period.
- **Total Equity or Fund Balance Beginning of Period:** This amount should be the same as the total liabilities and equity for the “balance at end of prior period.” Add revenues from Schedule A and deduct expenses from Schedule D.
- **Total Equity or Fund Balance End of Period:** This amount should be the same as the total liabilities and equity for the “balance at end of current period.”

## Instructions for Schedule F: Allocations

The purpose of *Schedule F: Allocations* is to list and explain each allocation method used on Schedule D and Schedule D-1, as applicable. If costs are allocated between programs or services, the method to allocate them must be disclosed on a supporting schedule. Most allocation bases may be used if an agency can demonstrate the statistics used are the most accurate representation for that cost. The allocation basis used must be objective and supported by clear, reviewable, contemporaneous documentation. Support for any statistics used must be made available to the IME PCA upon request.

Any change in the allocation basis between years for a specific cost item must be explained. The explanation should include how the new basis is a more accurate reflection of program costs. Allocation basis changes should not occur more than every three years.

- Revenue and estimates are not valid allocation bases.
- Number of members is not a valid allocation basis as it does not account for specific member needs.
- 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 must meet the following criteria:
  - Time studies must be of sufficient detail to identify time related to specific programs or services and indirect activities which support all operations of the agency.
  - A minimally acceptable time study must encompass at least one full week per month of the cost reporting period.
  - Each week selected must be a full work week (Monday to Friday, Monday to Saturday, or Sunday to Saturday), as applicable.
  - The weeks selected must be equally distributed among the months in the cost reported 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 of the 2nd week beginning in the month, 3 weeks of the 3rd, and 3 weeks the 4th.
  - 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 of those months.
  - A time study conducted in the current cost reporting year may not be used to allocate costs of prior or subsequent costs reporting years.
  - 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.

Examples of allocation bases include, but are not limited to:

- Direct/Actual – Specific amounts should reconcile to the General Ledger
- Percentage of Direct Costs
- Square Footage
- Mileage
- Direct Care Salaries (Lines 2120/2130)
- Other Direct Care Salaries (Line 2130)
- Total Salaries (Line 2100)

**Allocation Basis Number to Sch D (Column 1):** This is a unique identification number assigned to each allocation basis. These identification numbers will be used on Schedule D Column 4 and Schedule D-1 V.2 (Other) in the Indirect Cost Allocation Method column.

**Allocation Basis Name (Column 2):** Report a summary name for each unique allocation basis. Some standard basis names have been provided for use as they apply.

**Detailed Description of Allocation Basis (Column 3):** 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 D or Schedule D-1 use more than one allocation basis, use the Schedule F 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 F Line 9 could be used to describe the allocation basis for each of these two expenses reported on Line 2150 of Schedule D.

## Instructions for Schedule G: Related Party/Other Disclosures

The purpose of HCBS *Schedule G: Related Party/Other Disclosures* is to indicate whether the agency includes compensation, or costs for services, facilities or supplies furnished by a related party or related organization, on the cost report. Questions 1 and 2 must be answered with the provided drop-down boxes (No/Yes).

**Question 1:** Use the drop-down menu to indicate if the agency has a home office that provides administrative support. This does not include an office within your personal home. If yes, a Medicare Home Office Cost Report or Home Office Cost Statement is required to be submitted with the cost report.

**Question 2:** Use the drop-down menu to indicate if the agency has a third party management company. If yes, a copy of the management agreement is required to be submitted with the cost report.

**Section 3: Related Party Compensation.** All parties that meet the definition of owners (including any individuals or organizations with a controlling interest) or related parties, including related party management personnel and contractors, must be reported on *Schedule G – Related Party/Other Disclosures*.

Compensation for services of owners or immediate relatives is an allowable cost, provided the services are performed in a necessary function and do not exceed the maximum allowed compensation as described in numbered paragraphs 441 IAC 79.1(15)b(5)5 and 6.

- The maximum allowed compensation for the executive director, corporate executive officer, or equivalent position, who is an owner or immediate relative, is equal to the intermediate care facility for persons with an intellectual disability maximum compensation for facilities with 60 beds or more pursuant to 441—subparagraph 82.5(11)e(4).
- The maximum allowed compensation for any other owner or immediate relative is 60 percent of the amount allowed in numbered paragraph 79.1(15)b(5)5.
- The related party compensation limit amounts will be included in the annual cost report request letter or can be requested by emailing Iowa Medicaid PCA at [costaudit@dhs.state.ia.us](mailto:costaudit@dhs.state.ia.us).

**Name of Individuals or Entities with Ownership in Provider Agency (1):** Identify any individual or entity having an ownership interest, regardless of whether or not the owner receives any compensation or payments.

Also, identify any individual receiving compensation that is considered a related party. The following persons are considered related parties for program purposes:

- Husband and wife
- Natural parent, child and sibling
- Adopted child and adoptive parent
- Step-parent, step-child, step-sister, and step-brother
- Father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, and daughter-in-law
- Grandparent and grandchild
- Domestic partners

## Instructions for Schedule G: Related Party/Other Disclosures (continued)

**Position/Role (2):** Enter the title of the position/role held by the person.

**Type of Relationship (3):** Enter the nature of individual's relationship (i.e.):

- Owner
- Board member
- Related Party (defined above)
- Related Vendor

**% of Work Week Devoted to Business (4):** 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.

**% of Ownership in Agency (5):** The percent of ownership of the individual or entity listed in column 1. If the individual is related to the owner, enter 0%.

**Salaries and Wages (6):** Report all salaries and wages earned by the individual identified in Column 1. A reasonable allowance of compensation for services of owners or related parties is an allowable cost, provided the services are performed in a necessary function. Maintain adequate time records to justify reported expenses. Adjustments may be necessary to provide compensation as an expense for non-salaried working proprietors and partners.

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 Schedule D columns or lines. If costs are not directly assigned to a program, costs may be allocated in accordance with the instructions for Schedule F.

Any allocation method used must be objective and supported by clear and reviewable documentation. Any statistics used must be made available to Iowa Medicaid PCA upon request.

**Benefits (7) and Payroll Taxes (8):** Indicate the total benefit and or payroll taxes received by the owner or related party for the services the proprietor renders to the agency. It includes:

- Amounts incurred by the agency for personal benefits of the proprietor e.g., health insurance, food or meals, personal utilities, taxes, yard care, etc.
- The cost of assets and services which the proprietor receives from the agency e.g. life insurance, key man insurance, personal care, etc.
- Deferred compensation.

**Line No. (9) Reported on Schedule D:** Indicate which lines the components of related party compensation are reported on Schedule D (i.e. Line 2110, 2120, etc.).

**Column No. (10) Reported on Schedule D:** Indicate which column number the related components of related party compensation are reported on Schedule D (i.e. column 6, 7, 8, etc.).

## Instructions for Schedule G: Related Party/Other Disclosures (continued)

**Salaries and Wages (11) Reported Limit Adjustment:** Indicate the amount of related party salaries and wages reported in the Excluded cost column on Schedule D to limit salaries and wages to comply with the compensation limit, if any. Utilize Supporting Schedule 1 or 2 to provide the calculations used.

**Benefits (12) Reported Limit Adjustment:** Indicate the amount of related party benefits reported in the Excluded cost column on Schedule D to limit benefits to comply with the related party compensation limit, if any. Utilize Supporting Schedule 1 or 2 to provide the calculations used.

**Payroll Taxes (13) Reported Limit Adjustment:** Indicate the amount of related party payroll taxes reported in the Excluded cost column on Schedule D to limit payroll taxes to comply with the related party compensation limit, if any. Utilize Supporting Schedule 1 or 2 to provide the calculations used.

**Section 4: Payments for Services and Supplies to Related Parties.** Costs of supplies furnished by a related party or organization are reimbursable if included at the cost to the related party or organization. However, such costs must not exceed the price of comparable supplies that could be purchased elsewhere. Complete Schedule G, Payments for Services and Supplies to Related Party, to indicate all items purchased from related parties.

**Name of Related Individual or Entity (11):** Identify any entity that the agency conducts business with that is related through relationship, ownership or control, but not limited to owners and related persons described above.

**Type of Service or Supply (12):** Describe the service or supply that has been obtained by the entity.

**Type of Relationship (13):** Indicate the relationship of the entities, common ownership, common control, family relationship (i.e.):

- Owner
- Board member
- Related Party (defined above)
- Related Vendor

**Amount of Related Party Cost (14):** Report the amount of cost incurred by the related party entity. Documentation to support this amount must be maintained by the provider and provided upon request.

**Amount Paid to Related Party by Agency (15):** Report the total expense incurred by the agency in transactions with the related entity.

**Amount Reported on Cost Report (16):** Report the total amount reported on Schedule D, Column 3, *Adjusted Costs*.

**Line No. (17) Reported on Schedule D:** Indicate the line number on Schedule D in which the expense with the related entity has been reported (i.e. Line 2810, 5110, etc.).

## **Instructions for Schedule G: Related Party/Other Disclosures (continued)**

**Column No. (18) Reported on Schedule D:** Indicate the Schedule D column number in which the expense with the related entity has been reported (i.e. column 6, 7, 8, etc.).