REIMBURSEMENT

Reimbursement for Adult Day Health Care (ADHC) Waiver services shall be a prospective flat rate for each approved unit of service provided to the recipient. Providers must utilize the Health Insurance Portability and Accountability Act (HIPPA) compliant billing procedure code and modifier, when applicable. (Refer to Appendix C of this manual chapter for information about procedure codes, units of service and current reimbursement rate.)

The claim submission date cannot precede the date the service was rendered.

Support Coordination

Support coordination services are provided as a separate service covered in the ADHC Waiver. Refer to Section 9.1 – Covered Services for detailed information regarding the reimbursement of this service.

Transition Intensive Support Coordination

Refer to Section 9.1 – Covered Services for detailed information regarding the reimbursement of this service.

Transition Service

Refer to Section 9.1 – Covered Services for detailed information regarding the reimbursement of this service.

ADHC

ADHC providers shall be reimbursed a per quarter hour rate for services provided under a prospective payment system (PPS) that recognizes and reflects the cost of direct care services provided.

Claims for ADHC service shall be filed by electronic claims submission 837P or on the CMS-1500 (02/12) claim form. Claims must be submitted after the week in which the service was delivered. Claims cannot be span-dated for a specified time-period. Each line on the claim form must represent billing for a single date of service. (Refer to Appendix E – Claims Filing for information about claims filing.)

ADHC Provider Cost Reporting

Providers of ADHC services are required to file acceptable annual cost reports of all reasonable and allowable costs. An acceptable cost report is one that is prepared in accordance with the requirements of this section of the ADHC Waiver Services manual chapter and for which the provider has supporting documentation necessary for completion of a desk review or audit. The annual cost reports are the basis for determining reimbursement rates. A copy of all reports and statistical data must be retained by the center for no less than five years following the date reports are submitted. A chart of accounts and an accounting system on accrual basis, or converted to the accrual basis at year end, are required in the cost report preparation process. The Bureau of Health Services Financing (BHSF) or its designee will perform desk reviews of the cost reports. A representative number of the facilities shall be subject to a full-scope, annual on-site audit. All ADHC cost reports shall be filed with a fiscal year from July 1 through June 30.

All ADHC centers must use the cost reporting forms and instructions developed by BHSF or its designee. Hospital-based and other provider based ADHCs which use Medicare forms for step down in completing their ADHC Medicaid cost reports must submit copies of the applicable Medicare cost report forms. All amounts must be rounded to the nearest dollar and must foot and cross foot. Only per diem cost amounts will not be rounded. Cost reports submitted that have not been rounded in accordance with this policy will be returned and will not be considered as received until they are resubmitted.

Cost reports are comprised of the following cost categories:

- Direct care costs;
- Care related costs;
- Administrative and operating costs;
- Property costs; and
- Transportation costs.

Direct Care Costs

Direct care costs include costs for in-house and contractual direct care staffing and fringe benefits and direct care supplies. Direct care costs include:

- Gross salaries of:

- Certified nurse aides;
- Nurse aides in training;
- Non-supervisory licensed practical nurses;
- Graduate practice nurses;
- Non-supervisory registered nurses;
- Graduate nurses (excluding director of nursing and resident assessment instrument coordinator);
- Non-supervisory licensed social services personnel providing medically needed social services to attain or maintain the highest practicable physical, mental or psychosocial well-being of the recipients; and
- Non-supervisory activities/recreational personnel providing ongoing program of activities designed to meet, in accordance with the comprehensive assessment, the interest and the physical, mental and psychosocial well-being of the recipients.

- Payroll taxes – the cost of the employer's portion of:

  - Federal Insurance Contribution Act (FICA);
  - Federal Unemployment Tax Act (FUA);
  - State Unemployment Tax Act (SUA); and
  - Medicare tax for direct care employees.

- Group insurance – the cost of the employer's contribution for direct care employees'.

  - Health insurance;
  - Life insurance;
  - Accident insurance; and
  - Disability insurance.

- Pensions – the cost of the employer's contribution to employee pensions for direct care employees.

- Uniform allowance – the cost of uniform allowance and/or uniforms for the direct care employees.

- Worker's compensation – the cost of worker's compensation insurance for the direct care employees.

- Contract aides, licensed practical nurses, graduate practical nurses, registered nurses and graduate nurses hired through contract that are not center employees.

- Drugs – the cost of over-the-counter and legend drugs provided by the center to recipients not covered by Medicaid.

- Medical supplies – the cost of patient-specific items of medical supplies such as catheters, syringes, and sterile dressings.

- Medical waste disposal – the cost of medical waste disposal including storage containers and disposal costs.

- Other supplies – the cost of items used in the direct care of recipients which are not patient-specific such as recreational/activity supplies, prep supplies, alcohol pads, betadine solution in bulk, tongue depressors, cotton balls, thermometers and blood pressure cuffs.

- Allocated costs, hospital based – the amount of costs that have been allocated through the step-down process from a hospital or state institution as direct care costs when those costs include allocated overhead.

- Total of all direct care costs – the sum of all of the line items of all of the previously listed direct care costs.

Care Related Costs

Care related costs include costs for in-house and contractual salaries and fringe benefits for activity and social services staff, raw food costs and care related supplies for activities and social services. Care related costs include:

- Salaries – the gross salaries for care related supervisory staff including supervisors or directors of nursing, social service and activities/recreation.

- Salaries – the gross salaries of kitchen personnel including dietary supervisors, cooks, helpers and dishwashers.

- Payroll Taxes – the cost of the employer's portion of:

    - FICA;
    - FUTA;
    - SUTA; and
    - Medicare tax for care related employees.

- Group insurance – the cost of the employer's contribution to employee health, life, accident and disability insurance for care related employees.

- Pensions – the cost of the employer's contribution to employee pensions for care related employees.

- Uniform allowance – the employer's cost of uniform allowance and/or uniforms for care related employees.

- Worker's compensation – the cost of worker's compensation insurance for care related employees.

- Contract, dietary – the cost of dietary services and personnel hired through contract that are not employees of the center.

- Barber and beauty expense – the cost of barber and beauty services provided to recipients for which no charges are made.

- Consultant fees – fees paid for advisory and educational services to the center by personnel not on the center's payroll to the following:

    - Activities personnel;
    - Nursing personnel;
    - Registered pharmacist personnel;
    - Social worker personnel; and
    - Licensed therapist personnel.

- Food, raw – the cost of food products used to provide meals and snacks to recipients. Hospital based facilities must allocate food based on the number of meals served.

- Food, supplements – the cost of food products given in addition to normal meals and snacks under a doctor's orders. Hospital-based facilities must allocate food supplements based on the number of meals served.

- Supplies – the cost of supplies used for rendering care related services to the recipients of the center. All personal care related items such as shampoo and soap administered by all staff must be included on this line.

- Allocated costs, hospital-based – the amount of costs that have been allocated through the step-down process from a hospital or state institution as care related

costs when those costs include allocated overhead.

- Total of all care related costs – the sum of the care related line item costs.

Administrative and Operating Costs

Administrative and operating costs include costs for in-house or contractual salaries and related benefits for administrative, dietary, housekeeping and maintenance staff. Also included are costs for utilities, accounting, dietary, supplies for housekeeping and maintenance and other administrative and operating type expenditures. Administrative and operating costs include:

- Salaries – gross salary of:
    - Administrators excluding owner. Hospital-based facilities must attach a schedule of the administrator's salary before allocation, the allocation method, and the amount allocated to the nursing center;
    - Assistant administrators excluding owners;
    - Housekeeping personnel including housekeeping supervisors, maids and janitors;
    - Laundry personnel;
    - Personnel involved in operating and maintaining the physical plant, including maintenance personnel or plant engineers;
    - Other administrative personnel including bookkeepers, receptionists, administrative assistants and other office and clerical personnel; and
    - All owners of the center that are paid through the center.
- Payroll taxes – cost of employer's portion of:
    - FICA;
    - FUTA;
    - SUTA; and
    - Medicare tax for administrative and operating employees.
- Group Insurance – cost of employer's contribution to employee health, life, accident and disability insurance for administrative and operating employees.
- Pensions – cost of employer's contribution to employee pensions for administration and operating employees.
- Uniform allowance – employer's cost of uniform allowance and/or uniforms for administration and operating employees.

- Worker's compensation – cost of worker's compensation insurance for administration and operating employees.

- Contract – cost of services and personnel hired through contract that are not employees of the center for:

    - Housekeeping;
    - Laundry;
    - Maintenance; and
    - Registered dieticians.

- Accounting fees – fees incurred for:

    - Preparation of the cost report;
    - Audits of financial records;
    - Bookkeeping;
    - Tax return preparation of the ADHC center; and
    - Other related services excluding personal tax planning and personal tax return preparation.

- Amortization expense, non- capital – costs incurred for legal and other expenses when organizing a corporation must be amortized over a period of 60 months. Amortization of costs attributable to the negotiation or settlement of the sale or purchase of any capital asset on or after July 18, 1984, are non-allowable when any payment has previously been paid, whether by acquisition or merger. If allowable cost is reported on this line, an amortization schedule must be submitted with the cost report.

- Bank service charges – fees paid to banks for service charges, excluding penalties and insufficient funds charges.

- Dietary supplies – costs of consumable items such as soap, detergent, napkins, paper cups, straws, etc., used in the dietary department.

- Dues – dues to one organization are allowable.

- Educational seminars and training – the registration cost for attending educational seminars and training by employees of the center and costs incurred in the provision of in-house training for center staff, excluding owners or administrative personnel.

- Housekeeping supplies – cost of consumable housekeeping items including waxes, cleaners, soap, brooms and lavatory supplies.

- Insurance, professional liability – includes the costs of insuring the center against injury and malpractice claims.

- Interest expense, non-capital and vehicles – interest paid on short-term borrowing for center operations.

- Laundry supplies – cost of consumable goods used in the laundry including soap, detergent, starch and bleach.

- Legal fees – only actual and reasonable attorney fees incurred for non-litigation legal services related to patient care are allowed.

- Linen supplies – cost of sheets, blankets, pillows, gowns, under-pads and diapers (reusable and disposable).

- Miscellaneous – costs incurred in providing center services that cannot be assigned to any other line item on the cost report. Items reported on this line must be specifically identified. Examples include:

    - Small equipment purchases;
    - All employees' physicals and shots;
    - Nominal gifts to all employees such as a turkey or ham at Christmas;
    - Allowable advertising; and
    - Flowers purchased for the enjoyment of the recipients.

- Management fees and home office costs – cost of purchased management services or home office costs incurred that are allocable to the provider. Costs included that are for related management/home office costs must also be reported on a separate cost report that includes an allocation schedule.

- Office supplies and subscriptions – cost of consumable goods used in the business office such as:

    - Pencils, paper and computer supplies; and
    - Cost of printing forms and stationery including, but not limited to, nursing and medical forms, accounting and census forms, charge tickets, center letterhead and billing forms.

- Cost of subscribing to newspapers, magazines and periodicals.

- Postage – cost of postage, including stamps, metered postage, freight charges and courier services.

- Repairs and maintenance – supplies and services including electricians, plumbers, extended service agreements, etc., used to repair and maintain the center building, furniture and equipment except vehicles. This includes software maintenance.

- Taxes and licenses – the cost of taxes and licenses paid that are not included on any other line on Form 6. This includes tags for vehicles, licenses for center staff (including nurse aide re-certifications) and buildings.

- Telephone and communications – cost of telephone services, fax services.

- Travel – cost of travel (airfare, lodging, meals, etc.) by the administrator and other authorized personnel to attend professional and continuing educational seminars and meetings or to conduct center business. Community expenses and travel allowances are not allowable.

- Utilities – cost of water, sewer, gas, electricity, cable television and garbage collection services.

- Allocated costs, hospital-based – costs that have been allocated through the step-down process from a hospital as administrative and operating costs.

- Total all administrative and operating costs – the sum of the administrative and operating line item costs.

Property Costs

Property costs are for depreciation, interest on capital assets, lease expenses, property taxes and other expenses related to capital assets, excluding property cost related to patient transportation. Property costs include:

- Amortization expense, capital-legal and other costs incurred when financing the center must be amortized over the life of the mortgage. Amortization of goodwill is not an allowable cost. Amortization of costs attributable to the negotiation or settlement of the sale or purchase of any capital asset on or after July 18, 1984, whether by acquisition or merger, for which any payment has previously been made, are non-allowable costs. If allowable cost is reported on this line, an amortization schedule must be submitted with the cost report.

- Depreciation on the center's buildings, furniture, equipment, leasehold improvements and land improvements.

- Interest expense, capital – interest paid or accrued on notes, mortgages, and other loans, the proceeds of which were used to purchase the center's land, buildings and/or furniture, equipment and vehicles.

- Property insurance – cost of fire and casualty insurance on center buildings, equipment and vehicles. Hospital-based facilities and state-owned facilities must allocate property insurance based on the number of square feet.

- Property taxes – taxes levied on the center's buildings, equipment and vehicles. Hospital-based facilities and state-owned facilities must allocate property insurance based on the number of square feet.

- Rent, building – cost of leasing the center's real property.

- Rent, furniture and equipment – cost of leasing the center's furniture and equipment, excluding vehicles.

- Allocated costs, hospital-based – costs that have been allocated through the step-down process from a hospital or state institution as property costs when those costs include allocated overhead.

- Total of all property and equipment costs – the sum of the property and equipment line item costs.

Transportation Costs

Transportation costs are for in-house and contractual driver salaries and related benefits, non-emergency medical transportation, vehicle maintenance and supply expense, and automotive expenses related to ADHC patient transportation. Transportation costs include:

- Gross salaries of personnel involved in transporting clients to and from the center.

- Non-emergency medical transportation – cost of purchased non-emergency medical transportation services including, but not limited to:

    - Payments to employees for use of personal vehicle;
    - Ambulance companies; and

- Other transportation companies for transporting recipients of the center.

- Vehicle expenses – cost of vehicle maintenance and supplies, including gas and oil.

- Automotive lease – cost of leases for vehicles used for patient care. A mileage log must be maintained. If a leased vehicle is used for both recipient care and personal purposes, cost must be allocated based on the mileage log.

- Total of all transportation costs – the sum of the transportation line item costs.

ADHC Provider Annual Reporting

Cost reports are to be filed on or before the last day of September following the close of the reporting period. Should the due date fall on a Saturday, Sunday, or an official state or federal holiday, the due date shall be the following business day. The cost report forms and schedules must be filed in duplicate together with two copies of the following documents:

- A working trial balance that includes the appropriate cost report line numbers to which each account can be traced. This may be done by writing the cost report category and line numbers by each ending balance or by running a trial balance in cost report category and line number order that totals the account.

- A depreciation schedule which reconciles to the depreciation expense reported on the cost report must be submitted. If the center files a home office cost report, copies of the home office depreciation schedules must also be submitted with the home office cost report. All hospital-based facilities must submit two copies of a depreciation schedule that clearly shows and totals assets that are hospital only, ADHC only and shared assets.

- An amortization schedule(s), if applicable.

- A schedule of adjustment and reclassification entries.

- A narrative description of purchased management services and a copy of contracts for managed services, if applicable.

- A description of the basis used to allocate the costs to providers in the group and to non-provider activities and copies of the cost allocation worksheet for management services provided by a related party or home office, if applicable. Costs included that are for related management/home office costs must also be reported on a separate cost report that includes an allocation schedule.

- All allocation worksheets by hospital-based facilities. Medicare worksheets that must be attached by facilities using the Medicare forms for allocation are:

    - A;
    - A-6;
    - A-7 parts I, II and III;
    - A-8;
    - A-8-1;
    - B part 1; and
    - B-1.

Each copy of the cost report must have the original signatures of an officer or center administrator on the certification. The cost report and related documents must be submitted to the address indicated on the cost report instruction form. In order to avoid a penalty for delinquency, cost reports must be postmarked on or before the due date.

The provider will be notified when it is determined, upon initial review for completeness, that an incomplete or improperly completed cost report has been submitted. The provider will be allowed a specified amount of time to submit the requested information without incurring the penalty for a delinquent cost report.

For cost reports that are submitted by the due date, 10 working days from the date of the provider's receipt of the request for additional information will be allowed for the submission of the additional information.

For cost reports that are submitted after the due date, five working days from the date of the provider's receipt of the request for additional information will be allowed for the submission of the additional information. An exception exists in the event that the due date comes after the specified number of days for submission of the requested in formation. In these cases, the provider will be allowed to submit the additional requested information on or before the due date of the cost report. If requested additional information has not been submitted by the specified date, a second request for the information will be made. Requested information not received after the second request may not be subsequently submitted and shall not be considered for reimbursement purposes.

An appeal of the disallowance of the costs associated with the requested information may not be made. Allowable costs will be adjusted to disallow any expenses for which requested information is not submitted.

Accounting Basis

The cost report must be prepared on the accrual basis of accounting. If a center is on a cash basis, it will be necessary to convert from a cash basis to an accrual basis for cost reporting purposes. Particular attention must be given to an accurate accrual of all costs at the year-end for the equitable distribution of costs to the applicable period. Care must be given to the proper allocation of costs for contracts to the period covered by such contracts. Amounts earned although not actually received and amounts owed to creditors but not paid must be included in the reporting period.

Supporting Information

Providers are required to maintain adequate financial records and statistical data for proper determination of reimbursable costs. Financial and statistical records must be maintained by the center for five years from the date the cost report is submitted. Cost information must be current, accurate and in sufficient detail to support amounts reported in the cost report. This includes all ledgers, journals, records, and original evidences of costs that pertain to the reported costs such as:

- Canceled checks;
- Purchase orders;
- Invoices;
- Vouchers;
- Inventories;
- Time cards;
- Payrolls; and
- Bases for apportioning costs.

Census data reported on the cost report must be supportable by daily census records. Such information must be adequate and available for auditing.

Allowable Costs

Allowable costs include those costs incurred by providers to conform to state licensure and federal certification standards. General cost principles are applied during the desk review and audit process to determine allowable costs. These general cost principles include determining whether the cost is:

- Ordinary, necessary and related to the delivery of care;

- What a prudent and cost conscious business person would pay for the specific

goods or services in the open market or in an arm's length transaction; and

- For goods or services actually provided to the center.

Through the desk review and/or audit process, adjustments and/or disallowances may be made to a provider's reported costs. The Medicare Provider Reimbursement manual is the final authority for allowable costs unless BHSF has a more restrictive policy.

Non-allowable Costs

Costs that are not based on the reasonable cost of services covered under Medicare and are not related to the care of recipients are considered non-allowable costs.

Reasonable cost does not include the following:

- Costs not related to recipient care;
- Costs specifically not reimbursed under the program;
- Costs that flow from the provision of luxury items or services (items or services substantially in excess or more expensive than those generally considered necessary for the provision of the care);
- Costs that are found to be substantially out of line with other centers that are similar in size, scope of services and other relevant factors; and
- Costs exceeding what a prudent and cost-conscious buyer would incur to purchase the goods or services.

General non-allowable costs include:

- Services for which Medicaid recipients are charged a fee;
- Depreciation of non-recipient care assets;
- Services that are reimbursable by other state or federally funded programs;
- Goods or services unrelated to recipient care; or
- Unreasonable costs.

Specific non-allowable costs (this is not an all-inclusive listing):

- Advertising – costs of advertising to the general public that seeks to increase patient utilization of the ADHC center;
- Bad debts – accounts receivable that are written off as not collectible;
- Contributions – amounts donated to charitable or other organizations;
- Courtesy allowances;
- Director's fees;
- Educational costs for recipients;
- Gifts;
- Goodwill or interest (debt service) on goodwill;
- Costs of income producing items such as fund raising costs, promotional advertising, or public relations costs and other income producing items;
- Income taxes, state and federal taxes on net income levied or expected to be levied by the federal or state government;
- Insurance, officers – cost of insurance on officers and key employees of the center when the insurance is not provided to all employees;
- Judgments or settlements of any kind;
- Lobbying costs or political contributions, either directly or through a trade organization;
- Non-recipient entertainment;
- Non-Medicaid related care costs – costs allocated to portions of a center that are not licensed as the reporting ADHC or are not certified to participate in Medicaid;
- Officer's life insurance with the center or owner as beneficiary;
- Payments to the parent organization or other related party;

- Penalties and sanctions assessed by the Centers for Medicare and Medicaid Services, the Internal Revenue Service or the State Tax Commission, insufficient funds charges;

- Personal comfort items; and

- Personal use of vehicles.

ADHC Provider Audits

Each provider shall file an annual center cost report and, if applicable, a central office cost report, and shall be subject to financial and compliance audits.

All providers who elect to participate in the Medicaid program shall be subject to audit by state or federal regulators or their designees. Audit selection shall be at the discretion of BHSF.

- BHSF conducts desk reviews of all of the cost reports received and also conducts on-site audits of provider cost reports.

- The records necessary to verify information submitted to the BHSF on Medicaid cost reports, including related-party transactions and other business activities engaged in by the provider, must be accessible to the audit staff.

In addition to the adjustments made during desk reviews and on-site audits, BHSF may exclude or adjust certain expenses in the cost report data base in order to base rates on the reasonable and necessary costs that an economical and efficient provider must incur.

The center shall retain such records or files as required by BHSF and shall have them available for inspection for five years from the date of service or until all audit exceptions are resolved, whichever period is longer.

If a center's audit results in repeat findings and adjustments, BHSF may:

- Withhold vendor payments until the center submits documentation that the non-compliance has been resolved;

- Exclude the provider's cost from the database used for rate setting purposes; and

- Impose civil monetary penalties until the center submits documentation that confirms the non-compliance has been resolved.

If the auditors determine that a center's financial and/or census records are un-auditable, the vendor payments may be withheld until the center submits auditable records. The provider shall be responsible for costs incurred by the auditors when additional services or procedures are performed to complete the audit.

Vendor payments may also be withheld under the following conditions:

- A center fails to submit corrective action plans in response to financial and compliance audit findings within 15 days after receiving the notification letter from the auditor; or

- A center fails to respond satisfactorily to the request for information within 15 days after receiving the notification letter.

The provider shall cooperate with the audit process by:

- Promptly providing all documents needed for review;

- Providing adequate space for uninterrupted review of records;

- Making persons responsible for center records and cost report preparation available during the audit;

- Arranging for all pertinent personnel to attend the closing conference;

- Insuring that complete information is maintained in recipient's records; and

- Developing a plan of correction for areas of non-compliance with state and federal regulations immediately after the exit conference time limit of 30 days.