



## State of Louisiana

Department of Health and Hospitals  
Bureau of Health Services Financing

### MEMORANDUM

**DATE:** May 10, 2016  
**TO:** Administrator or Corporate Officer  
**FROM:** Denis S. Beard, Program Manager  
**SUBJECT:** Nursing Home Cost Report Filing Changes and Updates

All cost reports and supporting documentation are to be filed with our cost report acceptance contractor Myers & Stauffer LC. In addition, all Louisiana Medicaid NF cost reports are to be completed using the most recent version of the Microsoft Excel template. The most recent version of the Medicaid NF cost report is located on the web at:

<http://www.mslc.com/Louisiana/CaseMix.aspx>

Cost Reports are due five (5) months after the nursing facility's cost report period ends. Thus, cost reports with a December 31, 2015 year end are due to Myers & Stauffer LC by **May 31, 2016**.

Refer to the Louisiana Medicaid NF cost report "Instructions" tab and "Schedule L: Required Items" when preparing your facility's cost report. Any cost report submitted to Myers & Stauffer with missing documents, signatures, central office or management company's cost report and supporting documentation, etc., as noted on Schedule L will be considered incomplete and will not satisfy the requirements for timely filing. As stated in Section C-2(d) of your Provider Agreement with the State of Louisiana, a penalty of 5% of the total monthly payment for each month of non-compliance will be imposed. This penalty may be progressive by 5% for each succeeding month until all completed information is received.

Please pay close attention to the following requirements:

**Facility Worksheet A-6, A-8 and A-8-1 and Schedule I-1 adjustments & Home office Schedule B, C, D and Schedule I-2 adjustments**

Supporting documentation for all facility and home office Medicare and Medicaid cost report adjustments must include general ledger account numbers, explanations, amounts and/or computational schedules for each adjustment. A listing of the adjustments that restates the cost report adjustments without explanation or computation, if necessary, is **NOT** acceptable documentation.

**Schedule B of the Louisiana Medicaid NF Cost Report:**

**1. Census days for each payor type is required on Line 4.00**

- a. **Census Days** – Census days reported on Schedule B of the Medicaid NF cost report and Worksheet S-3 of the Medicare cost report must agree to the monthly detailed census reports maintained by the provider.
- b. **Allowable Leave Days** - All hospital and home leave days paid by Medicaid **MUST** be reported on Line 4.00, column (m) on Schedule B of the Louisiana Medicaid NF Cost Report. The census records maintained by the provider must properly identify and accumulate all hospital and home leave days paid by Medicaid to support the days reported on the Louisiana Medicaid NF Cost Report.
- c. **Paid Bed Hold Days** – All hospital and home leave days paid by non-Medicaid payers and excess home and hospital leave days for Medicaid residents for which a payment is received from the resident or responsible party must be reported on Line 4.00, column (n) of Schedule B of the Louisiana Medicaid NF Cost Report.

**2. Census days for private room conversions is required on Line 8.00**

- a. Days related to Medicaid residents that are in a room that has been approved as a private room conversion bed must be reported on Line 8.00 of Schedule B of the CR. The census records maintained by the provider must properly identify and accumulate all days paid by Medicaid in the approved private rooms to support the days reported on the Louisiana Medicaid NF Cost Report. The provider should develop a unique census code to identify such census days.

**Schedule F-4 Reconciliation of Pass Through Costs to Supporting Documentation –**

The purpose of this schedule is to assist providers in gathering the required documentation needed to support property taxes and property insurance reported on Schedule F-1 of the Medicaid cost report. Detailed instructions are included in the Instructions tab of the excel template. The totals on Schedule F-4 should agree to the sum of Lines 1.00 and 1.01 for property taxes and the sum of Lines 2.00 and 2.01 for property insurance. Copies of all property tax notices and copies of all property insurance invoices/premium notices must be submitted with the cost report. Also, allocation schedules which reconcile property insurance invoice amounts to the property insurance expense amounts reported on the cost report must be submitted.

**Schedule I-1 Nursing Facility Reconciliation –**

Providers should continue to be aware that there is a newer section located on Schedule I-1. This section is for a Medicaid only reclassification to a facility's filed Medicare cost report for CareRise vendor expense. The provider will need to identify on line 16.00 of Schedule I-1 the amount (col. b), Medicare cost report line number (col. c), line description (col. d), and column (col. e) that CareRise vendor expense is contained in. This will allow the CareRise vendor expense to be classified in the appropriate rate component.

**Schedule J of the Louisiana Medicaid NF cost report –** All input amounts required on Schedule J must agree to the final as-filed Medicare cost report and the final DHH rate letters for the cost report period. **It is imperative that this schedule be completed fully and accurately.** Providers should separate Worksheet A-6, A-8 and A-8-1 adjustments between salary and other for lines 40 through 55. See detailed instructions for this schedule in the Instructions tab in the excel template.

Through the review process it has been noted that there is an issue with providers not selecting the proper employee benefit allocation basis on Schedule J, Line 6. There are three options (Gross Salaries, Net Salaries, Other) that the provider has in selecting an employee benefit allocation basis. Please review the below explanation of each option for additional guidance before selecting an employee benefit allocation basis on Schedule J, Line 6:

1. Gross Salaries: Select the "Gross Salaries" option if the 2540-10 Cost Report Worksheet B-1, Column 3 (Column 4 for 2552-10 providers) employee benefit allocation statistics have been calculated using Worksheet A, Column 1 salary amounts plus all Worksheet A-6 salary reclassifications.
2. Net Salaries: Select the "Net Salaries" option if the 2540-10 Cost Report Worksheet B-1, Column 3 (Column 4 for 2552-10 providers) employee benefit allocation statistics have been calculated using the Worksheet A, Column 1 salary amounts plus all Worksheet A-6 salary reclassifications and Worksheet A-8 salary adjustments.
3. Other: Select the "Other" option if the 2540-10 Cost Report Worksheet B-1, Column 3 (Column 4 for 2552-10 providers) employee benefits allocation statistics have been calculated using any method other than the two defined above.
  - a. If the provider has home office/related party salary adjustments on Worksheet A-8-1 and the provider has deemed these salary adjustments to not be appropriate to include in the Worksheet B-1, Column 3 (Column 4

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for 2552-10 providers) employee benefit statistics, the “Other” option MUST be selected and Schedule J, Line 7 must also be completed.

**Support for Medicare cost report Worksheet B-1 square footage statistical information-**

The provider is required to maintain appropriate documentation supporting the statistical information reported on Worksheet B-1 of the Medicare cost report. Specifically, to support square footage, the provider should maintain detailed documentation of the measurement of the facility. This measurement should reconcile to the square footage by cost center that is reported on Worksheet B-1 of the Medicare cost report. This measurement would ideally be obtained from the detailed blueprint or architect's drawing of the facility. If that is not available, the provider should perform a measurement or engage a qualified professional to perform a measurement.

For more detailed information on cost report preparation please refer to the attached detailed instructions as well as the handouts from the most recent cost reporting training held on January 18, 2013 which can be found on the DHH website at:

<http://new.dhh.louisiana.gov/index.cfm/newsroom/detail/1574>

For additional guidance on direct care and care-related expenses, see the attached letter dated April 21, 2015.

If you require further information, please contact Denis S. Beard at (225) 342-6116.

Attachments

DSB

c: Dan Brendel  
Missy Peroyea

**DETAILED INSTRUCTIONS FOR FILING NURSING HOME COST  
REPORT(S) FOR YEAR ENDING 12/31/15**

The cost report packet submitted to Myers & Stauffer will be reviewed to determine if all required information was received timely. The packet must include an electronic copy of the Louisiana Medicaid NF cost report in the most current Excel template, an electronic copy of the Medicare cost report in ECR format and all of the applicable supporting documentation as listed on Schedule L of the Louisiana Medicaid NF cost report.

A signed and completed Medicare Home Office cost report and Louisiana Medicaid NF cost report and **ALL** required attachments for both cost reports should be completed and submitted for all home offices.

Cost Report files **MUST** be submitted electronically to Myers & Stauffer using the e-mail address: ([LANF@mslc.com](mailto:LANF@mslc.com)). All other items should be mailed **or** scanned and e-mailed to Myers & Stauffer. If mailing items, please submit **ALL SUPPORTING DOCUMENTATION** numbered, as specified on Schedule L of the Louisiana Medicaid NF cost report, and in numerical order. Before sending cost reports or supporting documents electronically:

- Review the file name format requirements listed at the bottom of Schedule L.
- When mailing documents to Myers & Stauffer **DO NOT** staple any of them.
- Review all files for readability and legibility.
- If the provider chooses to print spreadsheets to PDF files prior to submission:
  - Do not reduce files below 50% reduction
  - Use appropriate page orientation (portrait vs. landscape) for each file

Below are other issues which require your attention:

**Rate Warning:**

DHH will include costs in your Medicaid case-mix rate and direct care/care-related floor calculations based on both your Medicare cost report and your Louisiana Medicaid NF cost report. To ensure all of the appropriate costs are included in your rate and your floor calculations, it is important that you review the Case Mix Cross-Walk tab of the Medicaid Excel cost report template to see which cost centers are included from your Medicare cost report and then properly complete your Medicare cost report and your Louisiana Medicaid NF cost report.

While the Medicare regulations may allow more than one option for classifying costs, Medicaid will only recognize costs in a rate and floor component based on the case mix cross-walk shown on the Case Mix Cross-Walk Tab of the Medicaid Excel cost report

template. If a facility chooses to classify cost on their Medicare cost report in a manner that excludes that cost from their direct care or care-related rate component and floor, then the cost will forever be excluded from the direct care and care-related rate and floor, unless adjusted at audit or desk review. If there are any questions related to the cross-walk, please contact DHH or Myers and Stauffer for clarification.

**Signatures** – Original signatures are required on the Louisiana Medicaid NF cost report, the Medicare cost report (2540-10) and the home office cost report (287-05) to be mailed to Myers & Stauffer.

**Louisiana Medicaid NF Cost Report** – All items reported on the Louisiana Medicaid NF cost report must tie to that amount on the Medicare cost report when indicated. Pay attention to all instructions on the Louisiana Medicaid NF cost report which indicate when a specific amount or description should be obtained from the Medicare cost report. Any submitted cost reports which are inaccurate and do not tie to the Medicare cost report where applicable will be sent back to the provider and will be required to be revised before the cost report packet is considered complete.

In addition, all lines and columns in all sections of the Medicaid NF cost report should be completed even if the appropriate response is “none” or “not applicable” or “\$0”.

**Electronic Files** – The electronic files required **MUST** be in the correct electronic cost report format: Medicaid NF cost reports in Excel (xls) and Medicare cost report in ECR format (SN\_\_.15A). These cost reports and any electronic supporting documentation are to be e-mailed to Myers & Stauffer at [LANF@mslc.com](mailto:LANF@mslc.com). Files submitted in the incorrect format will be rejected.

**Salary Maximums** – The maximum allowable salary for the Administrator (AS624) is \$122,595. The maximum allowable salary for the Assistant Administrator (AS622) is \$107,078. The salary maximums are effective 7/1/07. Documentation to support the administrator and assistant administrator salaries must be submitted. Such documentation would include payroll journals and W-2's (for calendar year providers). Note: W-2s are on the cash basis and, if provided, should be reconciled to the accrual basis salary reported on the cost report. The administrator salary maximum also applies to all home office personnel.

**Purchase of Assets** – Fixed assets acquired through a purchase of assets in use in the Medicare/Medicaid programs must be recorded at the original owner's net book value. No step-up in basis is permitted. Depreciation expense and related interest expense, if any, must be adjusted if a step-up in basis was recorded at the time of purchase.

**Crosswalk to Worksheets A, C, G, G-1, G-2, G-3** – The grouping schedule submitted with the cost report must include cost center totals that agree to columns 1 and 2 on Worksheet A and to Worksheets C, G, G-1, G-2, and G-3 of the CMS Form 2540. Trial balances without cost center totals will be rejected as insufficient support for the costs reported on Worksheet A. The crosswalk should clearly show which accounts are included in each cost center. Account numbers and account titles should be included for all accounts. For example:

Acct Number	Acct Title	Amount
444	Administrator Salary	\$1,000
445	Asst. Admin Salary	\$1,000
446	Clerical Salaries	\$2,000
Total A&G Salaries		\$4,000 – this total should agree to Worksheet A

**Home Office Crosswalk to Schedules B, I, and J** – The grouping schedule submitted with the cost report must include cost center totals that agree to column 1 on Schedule B and to Schedules I and J of CMS Form 287. Trial balances without cost center totals will be rejected as insufficient support for the costs reported on Worksheet A. The crosswalk should clearly show which accounts are included in each cost center.

**Property Taxes** – All property taxes should be reported on lines 1 and 2 on Worksheet A of the Medicare cost report. Property taxes reported on lines 1.00 and 1.01 on Schedule F-1 of the Louisiana Medicaid NF cost report should agree to the property taxes reported on Worksheet A of the Medicare cost report. If property taxes paid by a related party lessor are added to allowable costs on Worksheet A-8-1, the provider should include these property taxes on lines 1.00 and 1.01 on Schedule F-1 of the Louisiana Medicaid NF cost report. Property taxes related to the home office should not be reported on Schedule F-1 of the facility’s Louisiana Medicaid NF cost report. Copies of the **property tax notices** are the required supporting documentation for property taxes. This documentation requirement includes any property taxes paid by a related party lessor that are reported as allowable costs on Worksheet A. If a provider is exempt from property taxes, please affirmatively note that exemption in the supporting documentation submitted with the cost report. If the provider’s cost report period is not the same as the property tax period, the provider must include all property tax notices that relate to the cost report period and a supporting schedule documenting the amount of each tax notice recorded in the cost report period.

**Property Insurance** – Only property insurance (including autos) should be reported on lines 1 and 2 on Worksheet A of the Medicare cost report. Other insurance such as general liability, malpractice or employee related health insurance should be reported appropriately in other cost centers. If the provider’s general ledger does not segregate

insurance for appropriate reporting on Worksheet A of the cost report, the provider must perform an analysis of the insurance amount(s) and make reclassification entries, as necessary, on Worksheet A-6 of the cost report. Property insurance reported on lines 2.00 and 2.01 on Schedule F-1 of the Louisiana Medicaid NF cost report should agree to property insurance reported on Worksheet A of the Medicare cost report. Property insurance related to the home office should not be reported on Schedule F-1 of the facility's Louisiana Medicaid NF cost report. Copies of **invoices/premium notices** for property insurance are the required supporting documentation for property insurance. A copy of the financing document should also be submitted, if applicable. The invoice (and any related supporting schedule) must segregate the property insurance from other types of insurance and must include the policy period. If a supporting schedule is included, it should reconcile to the invoices submitted and to the allowable property insurance reported on Worksheet A and Schedule F-1. Also, if the property insurance premium period is not the same as the provider's cost report period, the provider must include all invoices that relate to the cost report period and a supporting schedule documenting the amount of each invoice recorded in the cost report period. In addition, if the property insurance invoice relates to multiple facilities, an allocation schedule documenting the allocation of property insurance to each facility is required.

**Food costs** – Food costs reported on line 4.00 on Schedule F-1 of the Louisiana Medicaid NF cost report should include food supplements.

**Contract Services** – Contract services reported on lines 3.00 and 3.01 on Schedule F-1 of the Louisiana Medicaid NF cost report should **ONLY** include contract nursing staff. Consultant RN's, physicians, pharmacists, etc., should NOT be included.

**Nurse Aide Training & Testing costs** – The Medicare Worksheet A line and column number must be disclosed for any nurse aide training and testing costs reported on Schedule E-1 of the Louisiana Medicaid NF cost report. Also, salaries and benefits reported on Schedule E-1 of the Louisiana Medicaid NF cost report should be that of instructors only, not the nurse's aides in training.



# State of Louisiana

Department of Health and Hospitals  
Bureau of Health Services Financing

April 21, 2015

Dear Nursing Home Administrator:

**RE: Louisiana Medicaid Nursing Facility Direct Care and Care-Related Expenses**

To assist providers in the preparation of nursing facility cost reports, the Department has determined that further clarification is necessary in regards to what costs are included in the Louisiana Medicaid Case-Mix direct care and care-related cost components, as well as the corresponding direct care/care-related floor calculation.

**Cost Component Classification**

The Medicare reimbursement methodology contained in CMS Publications 15-1 and 15-2 may permit more than one classification option for certain costs on the Medicare cost report Form CMS-2540-10 (NF) and 2552-10 (Hospital). In order to properly assure the appropriate calculation of the direct care and care-related cost components and the associated direct care/care-related floor for Medicaid purposes under the Case Mix reimbursement system, the Department has compiled the following listing of the specific costs that are to be **included** or **excluded** from the direct care and care-related cost components.

Please note the following:

1. This list is not considered all inclusive and is provided to assist providers in accurately completing the cost report. DHH will maintain a copy of this document for providers to refer to on the Medicaid Rate Setting website: <http://www.dhh.la.gov/index.cfm/page/235>.
2. Costs specifically excluded from the direct care and care-related cost components may be allowable in other cost centers to the extent they are allowable as defined by CMS Publication 15-1 and properly reported on the cost reports.
3. Costs on the Medicare cost report should be reported in the Medicare cost centers according to the Medicare rules and regulations as defined by CMS

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Publications 15-1 and 15-2. If a cost is not reported in one of the Medicare cost centers or Medicaid cost report lines assigned to the direct care and care-related components as designated in the cost component descriptions, then it will not be included in the provider's direct care or care related cost component and will also be excluded from the provider's direct care/care-related floor. It is imperative, therefore, that providers accurately complete the Medicare Cost Report and the Medicaid Cost Report.

**Direct Care Cost Component**—The portion of the Medicaid daily rate that is based on the following costs from the Medicare cost report, including Medicaid-only reclassifications and adjustments as determined by DHH

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Items **included** in the Direct Care Component:

1. Salary and the related payroll tax and employee benefit costs included in the Skilled Nursing Facility and Nursing Facility cost centers (and applicable subscribed cost centers) for registered nurses (RNs), licensed practical nurses (LPNs), certified nurses' aides (CNAs) and ward clerks whose primary role is to perform direct patient care services in the nursing facility.
2. The cost of contracted nursing staff including RN, LPN, nurses' aide and ward clerk staff whose primary role is to perform direct patient care services in the nursing facility.
3. The proportionate allocation of related payroll taxes and employee benefits for the Direct Care cost component.

Items **excluded** from the Direct Care Component:

1. Nurses' aide training costs which qualify for separate reimbursement by DHH and are reported on Schedule E-1 of the Medicaid cost report.
2. The cost of facility personnel or contracted personnel including related parties, whose primary purpose is to:
  - a. Review MDS assessments performed/overseen by the nursing facility's MDS coordinator or by individuals acting in that capacity
  - b. Review the facility's billing practice
  - c. Perform Utilization Review service

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- d. Improve the facility's reimbursement practices
  - e. Perform off-site chart review
  - f. Perform statistical or other analysis of the facility's Medicare program
3. The cost of transporting patients, on a non-emergency basis, to doctor's appointments and social activities (*Note: the nursing employee or contracted nursing employee costs associated with accompanying the patient is a direct care cost if those staff qualify under Direct Care Component - included items number 1 or 2 above and the cost are reported in the appropriate cost center.*)
  4. The cost of advertising for the purpose of hiring care related and direct care personnel.
  5. The cost of training employees (*Note: the wages, salaries and related payroll taxes and benefits incurred by nursing personnel (as described in Direct Care Cost Component – included item number 1 above) while receiving training is a direct care cost.*)

**Care-Related Cost Component** – The portion of the Medicaid daily rate based on the following costs from the Medicare cost report, excluding allocations to non-reimbursable cost centers and non-nursing nursing facility (SNF/NF) cost centers;

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Items **included** in the Care-Related Component:

1. The Nursing Administration cost center (and applicable subscribed cost centers).
2. The Social Services cost center (and applicable subscribed cost centers).
3. The Patient Activities cost center (and applicable subscribed cost centers).
4. Non-salary ("Other") costs included in the Skilled Nursing Facility and Nursing Facility cost centers (and applicable subscribed cost centers), excluding contract nursing included in the direct care cost component.
5. Allocated raw food costs and enterals identified on Schedule F-1 of the Medicaid cost report and excluded from the Dietary cost center (and all applicable subscribed cost centers).

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6. Costs relating to risk management services provided by the Care Rise vendor.
7. The cost of wages, salaries and/or contract labor of nursing staff or other medical professionals and related payroll taxes and employee benefits not included in the direct care cost component, provided that the nurse or medical professional is engaged in documentation of medical records, MDS review and assessments, chart review, regulatory compliance related to their medical professional discipline, training of medical professional or nursing staff and/or nursing administration and is not employed in a non-nursing or medical professional role (for example an RN employed as the nursing facility administrator would not be considered a care related cost).
8. The proportionate allocation of related payroll taxes and employee benefits for the Care-Related cost component.
9. The cost of a replacement bed, mattress, head board, foot board, or nursing equipment (including electronic health records hardware) used in direct patient care provided the invoice cost is below both the capitalization threshold established in CMS Publication 15-1 and the facility's written capitalization policy in place prior to the invoice date. Other pieces of equipment included may include but not limited to: Leg Extensions for Wheelchairs, Geriatric Chair (wheelchair w/ table attached), Walker / Cane, Portable Commode Chair, Urinal / Bed Pan, Nurses Cart, Laptop / Hand held device used for Charting, C-Pap Machine and masks, Bi-Pap Machine and masks, Wound Vac Machine, Oxygen Concentrators, Temperature / Blood Pressure Monitoring Machine (Rosie), Replacement Batteries for Rosie, Wandering Transmitter, Trapeze Bar
10. Dental Services

Items **excluded** from the Care-Related Component:

1. Nurses' aide training costs which qualify for separate reimbursement and are reported on Schedule E-1 of the Medicaid cost report.
2. Furniture and equipment not used in the course of direct patient care not included in 9 above. Examples include but are not limited to: beside table, chest of drawers and chairs.

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3. Furniture and equipment used in the course of direct patient care whose invoice cost is greater than the capitalization threshold established in CMS Publication 15-1; or the facility's written capitalization policy in place prior to the invoice date; or is part of a renovation or project eligible for a facility re-age for fair rental value purposes.
4. The cost of transporting patients, on a non-emergency basis, to doctor's appointments and social activities. *(Note: the nursing employee or contracted nursing employee costs associated with accompanying the patient is a direct care cost if those staff qualify under Direct Care Component - included items number 1 or 2 above and the cost are reported in the appropriate cost center.)*
5. The cost of advertising for the purpose of hiring care related and direct care personnel.
6. Pharmacist Consultant
7. Medical Director
8. Dental Director

DHH will continue to work on this document and update as necessary to keep providers informed.

Sincerely,



Randy Davidson, Director  
Rate and Audit