State of Illinois---Department of Healthcare and Family Services
Instructions for Completing
2015 Long-Term Care Facility Cost Reports

These are the instructions for completing the financial and statistical reports for long-term care facilities. We appreciate your continued cooperation in providing us the information which we need to get an accurate picture of the financial situation of Illinois nursing homes and at the same time help us maintain a fair and equitable reimbursement system.

The overall report makes more sense if you remember that the individual schedules are simply a mechanism for translating your general ledger into information, which can be meaningfully compared among the different facilities in the state. Your general ledger account balances will go in the first four columns of pages 3 and 4. The detailed information spelled out on other schedules allows you to reclassify and adjust that information into the format that we need. A recommended order of completion of the various schedules is found in the Table of Contents. While this much detail may seem unnecessary to some, it has been our experience -- and the experience of other states with cost reporting requirements -- that it is very difficult to get meaningful cost information without this level of detail.

The cost report must be completed exactly as requested because this information is entered directly from this report into the computer system. All applicable cost report schedules must be prepared in accordance with these instructions and must be received within the designated filing period for the cost report to be considered complete. Cost reports, which are not considered complete, are subject to delinquency provisions detailed on page 2.

The 2015 cost report form is on our website at the following address: **http://www.hfs.illinois.gov/costreports/**. When filing the cost report, **be sure to submit a signed paper copy along with the completed Excel file. The Excel file may be sent to our office by Email, CD or disk. The Email address is HFS.HealthFinance@illinois.gov.**

Various changes have been made to the 2015 cost report form. **You must use the 2015 Excel file from our office. Any deviations from the 2015 format will result in the cost report being considered incomplete. As a result, the cost report will not be considered as being timely filed.** The cost report will not be considered complete and timely filed until the **entire** report is filed using the 2015 format. For example, if a cost report is filed 3/31/2016 using any of the 2014 cost report format, it will be considered incomplete and not timely filed as of 3/31/2016. **(Do not use the 2014 cost report and try to update it--you must use the 2015 cost report file.) Do not reduce the cost report to an 8 ½" by 11" image as it will not be accepted.**

Important!

- The Bureau of Health Finance will consider a cost report that has been postmarked by the U.S. Postal Service on or before the filing date to be effectively received. For example: A 1/01/15 - 12/31/15 cost report is due to be filed by 3/31/2016. If this cost report is postmarked by the U.S. Postal Service on or before 3/31/2016, it will be considered to be received as of 3/31/2016. **A postage meter imprint will not be accepted as proof of timely filing.** The cost report cannot be filed by telefax. The date of receipt is when we receive the properly filed hard copy.

- **All attachments requested in the cost report or the instructions must be submitted with the cost report in order for the report to be considered complete and timely filed.** This would include, but not be limited to:
  - Use the "Page 6-Supplemental" worksheet for listing owners and related parties instead of an attachment
  - A schedule detailing all Schedule V reclassifications
  - LEGAL INVOICES - A detailed schedule listing invoice date, firm name, allowable amount, non-allowable amount and description of services. Copies of invoices are **NOT** required with the filed cost report. Invoices for fees totaling $25,000 or more in the cost report year must be retained by the facility for a minimum of 5 years in case of an HFS audit.
  - Details of Schedule V, lines 23, 24 (travel & seminar) and 25 (other admin staff transportation), if costs on any of these lines exceed $5,000 ($2,500 for an ICF/DD 16 or under facility) **See pages 12 and 13**
  - Non-profit nursing homes must submit a list of the Board of Directors (BOD), along with additional information as detailed on page 25 of these instructions. "Page 6-Supp" can be used to list the BOD.
  - IMRF notices
  - **2014 Real Estate Tax Statement along with applicable 2014 real estate tax bill-See page 27**
  - **Also ensure that Page 1 has been properly signed and dated with printed name and title**
  - **The completed cost report Excel file**

- **Building improvements performed during the 2012, 2013, 2014 and 2015 cost report periods must be detailed by improvement type on Schedule XI-B, in order for the cost report to be considered complete and timely filed.** *Descriptions should be as precise as possible in description and* ***location***. Titles such as "various" or "leasehold improvements" or "see attached" or "remodeling" will not suffice. For more details, see the instructions relating to Schedule XI-B.

2015

State of Illinois
Department of Healthcare and Family Services

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Instructions for Completing
2015 Long-Term Care Facility Cost Reports

General Background

Regulations promulgated under the authority of Public Act 81-223, which amends the "Nursing Homes, Sheltered Care Homes, and Homes for the Aged Act," require that each licensee file an attested financial statement annually. Below are the instructions relating to the completion of the required cost report.

Any questions concerning the required information or appropriate entry of information should be addressed to:

Bureau of Health Finance
Illinois Department of Healthcare and Family Services
201 South Grand Avenue East
Springfield, Illinois 62763
Telephone (217) 782-1630
Email HFS.HealthFinance@illinois.gov

When Must You File?

This report should cover the facility's fiscal year ending in 2015. It is due on September 30, 2015, or ninety days after the close of the facility's fiscal year, **whichever comes later.**

If a newly constructed facility has opened during 2015, a cost report reflecting capital costs must be filed before a Medicaid rate will be issued. In addition, a cost report must be filed which covers at least the first six months of operation. This report must begin with the date the first patient was admitted and continue for six full months. It is due in our office within 90 days after the end of the reporting period. The new facility must also file a cost report within ninety days of the close of the first fiscal year, which ends after the close of the above six-month period.

In most cases, if the ownership has changed in a facility during 2015, a minimum of a six-month cost report, covering the first six months of operation is required to be filed within nine months of the ownership change. The new owners must also file a cost report within ninety days of the close of the first fiscal year, which ends after the close of the above six-month period. (Depending upon the date of change in ownership, in some cases the six-month report may be waived by the Bureau of Health Finance and substituted with the fiscal year end report. Any questions concerning this issue should be addressed to the Bureau of Health Finance.) For a further definition of what constitutes a change in ownership see page 3 of these instructions.

For all cost reports, the report period ending date must be the last day of the month. For example: If a newly constructed facility admitted their first patient 2/10/15, the six-month report would cover the period 2/10/15 - 8/31/15 and would be due in our office 11/30/15. A report for the period 2/10/15 - 8/10/15 would not be accepted.

A cost report filed for a period other than that designated by the Bureau of Health Finance will not be accepted. Such a report will not be considered as being timely filed and may be subject to delinquency provisions.

Capital Reports

If a facility performs **major construction to the building**, which either (1) increases licensed bed capacity by 10 percent or more or (2) increases the current owner's building cost by 10% or more **and** also increases the base year, the facility may file revised building costs with the Bureau of Health Finance. Please contact the Bureau of Health Finance for further information and what to file.

Year End Changes

Also, any facility wishing to change their year end must receive permission to do so from the Bureau of Health Finance prior to the end of their reporting period on file with our office. Otherwise, the facility must continue reporting on the same year end as in prior years. The Bureau of Health Finance will notify the facility of the proper filing period if the request to change their year end is granted.

Extensions
If a facility should experience difficulty in completing their cost report within the allowed ninety-day period, they should request an extension of the filing date. This extension request must be received in our office within the ninety-day period following the end of the reporting period. If neither the cost report nor a request for an extension has been received at the end of the ninety-day period, the facility's cost report will be considered delinquent. Delinquent facilities will have their Medicaid payments withheld until the cost report is received and determined to be complete by the Bureau of Health Finance. The maximum extension period is thirty (30) days. **Please note that a facility with a 12/31/15 year end may request a 30-day extension which would move the filing date of the report to 4/30/2016. Please note that this extension of the cost report filing date may cause the facility to not meet a key filing date with regard to the usage of the cost report for rates. For example, 1/01/08 support rates were based on the latest cost report on file as of 4/01/05. If a facility received an extension of the filing date and did not file their 2004 cost report until 4/30/05, then the latest cost report on file as of 4/01/05 was used to calculate the 1/01/08 support rate.**

Who Must File?
All facilities licensed under the Nursing Home Care Act, the ID/DD Community Care Act and the Specialized Mental Health Rehabilitation Act must file a cost report. Likewise, any hospital which anticipates Medicaid reimbursement for long-term care must file a cost report.

Sheltered care homes, as well as facilities that have no Medicaid patients and do not anticipate any Medicaid patients may meet the requirements for financial reporting by completing the "Short Form of the Financial and Statistical Report Schedules for Long-Term Care Facilities". Facilities that meet the requirements for filing the short form should download a copy of this form and its instructions from the website listed on the first page. Should, however, the facility wish to be eligible for Medicaid reimbursement at a later date, it will have to complete the regular "Financial and Statistical Report for Long-Term Care Facilities" before a Medicaid rate can be issued.

Use of the Report
A very thorough effort must be exercised to ensure that the cost report is completed accurately. In the prospective reimbursement system, the costs reported will affect the rate for other providers as well as the rate for the reporting provider. Thus, the report must be correct when filed, rather than adjusted after rates have been calculated. No amendments to reported costs will be allowed after the cost reports have been used to determine rates. All incomplete reports and reports submitted on incorrect forms shall not be accepted and will not be considered properly filed until completed and corrected.

Audits
The Department of Healthcare and Family Services is allowed by state and federal law to conduct independent field audits of cost reports. If your report is selected for field audit, you will be notified by the Department of Healthcare and Family Services of the audit firm assigned to your facility. It is then your responsibility to make all provider and related organization records available to the auditors at a single location in the state. If your records are not maintained within the state of Illinois, you will be required to bear the expense of transporting the audit team to this out-of-state location (i.e., transportation, meals and lodging).

Failure to maintain auditable records or failure to provide all necessary provider and related organization records will cause your Medicaid payments to be withheld. In addition, failure to provide necessary supporting documentation to the auditors during their field work will result in the disallowance of such expenses. Those expenses unsupported during the auditor's field work will not subsequently be allowed by the Bureau of Health Finance.

Upon completion of the field audit, the facility will receive a copy of the audit report.

If your cost report is not chosen for field audit, it will then be desk audited by the Bureau of Health Finance. You will receive a copy of any final desk audit adjustments made to your report.

Maintenance of Records
All accounting, financial, medical and other relevant records of the provider and related organizations must be kept for a minimum of 3 years following the date of the filing of the cost report or a minimum of 2 years after the department's final payment using rates that were based in part on that cost report, whichever is later. This must include a copy of the general ledger trial balance indicating how ledger entries were allocated to specific cost report schedules and lines.

Records relating to all asset transactions involving land, building and equipment must be maintained for a minimum of three years following the year in which the assets are last recorded in the cost report. This includes third party invoices, contracts, purchase agreements and allocation methods of common areas.

In order for an expense to be included on the cost report, complete documentation must be maintained to show the amount of the expense, the proper reporting period and the care-related purpose of the expense. No asset may be included in the building or equipment basis unless complete documentation for the cost and year of purchase or construction is maintained. This data must be maintained to facilitate efficient audit reviews by representatives of the Department.

Audit Appeals
Any objections to the desk audit adjustments must be summarized in a letter with all appropriate documentation enclosed to support the requested revision. All documentation and workpapers must be clearly presented to allow for efficient review. This letter of objection(s) and all supporting documentation must be received in our office within forty-five (45) days of the date of the Bureau of Health Finance's adjustment letter. **Your letter of objections and all supporting documentation will not be counted as received in our office until the original hard copy has been received by us.** No further revisions will be made at the request of the facility or its representatives for information submitted after this 45-day period.

If the facility believes that the Bureau of Health Finance did not apply the department's rules and procedures properly in regards to its appeal, the facility may send a written appeal to the Department of Healthcare and Family Services, Chief, Bureau of Long Term Care, 201 South Grand Avenue East, Springfield, Illinois 62763. The facility must explain the reason for the appeal and must provide proper documentation to support the appeal.

If the facility is field audited, any disagreements should first be discussed with the field auditors at the exit interview. Any unresolved problems should be attached to the final audit in an appeal format and any supporting documentation must be enclosed.

Rate Appeals
All granted rate appeals will be effective the first day of the month following the receipt of both the appeal and adequate supporting documentation. For example: If an appeal is received in August of the applicable rate year but adequate supporting documentation is not supplied until September; provided the appeal is granted, the new rate will be effective October 1st.

Changes in Ownership
To be considered a change in ownership, there must be an arm's-length transaction between two completely unrelated parties. Please realize that purchases of capital stock, partnership buyouts, structural reorganizations and management agreements do not constitute changes in ownership. In these cases the provider should not file a six-month report; the facility should continue to file on its normal year-end basis. As such, the building basis and weighted average year of acquisition will remain the same as it was previous to these types of transactions.

In addition, the capital system does not recognize any costs which were incurred as a result of a sale-and-leaseback. For a sale-and-leaseback transaction, the allowable rental cost cannot exceed the amount that would have been allowable had the provider retained legal title. In this case, the provider should not file a six-month report, but should continue to file on its normal year-end basis.

If a present lessee chooses to exercise its purchase option, a six-month report should not be filed. Again, the facility should continue to file on its normal year-end basis. No change of ownership has taken place with regard to the operating entity, as the operator/licensee remains the same both before and after this type of transaction.

If a sublease is negotiated in an arm's-length transaction between two completely unrelated parties, the allowable rental cost cannot exceed the amount that the original lessee would have been required to pay under the original lease agreement. In this case, since the operator/licensee has changed, we will allow the new operator to file a six-month report.

Non-Profit to For-Profit - Changes of ownership where the previous owner was non-profit and the new owner is for-profit must submit a request to the Bureau of Health Finance to have real estate taxes added to the new owner's rate. The request must include documentation from the county to indicate the date of tax assessment. This should be done as quickly as possible.

Instructions for Completion of the Cost Report Forms

Page 1:

I. Facility Identification. Enter the 7-digit Illinois Department of Public Health ID number assigned to this facility as well as the name of the facility as licensed by the Illinois Department of Public Health. Current facility information may be found at: **http://ltc.dph.illinois.gov/webapp/LTCApp/ltc.jsp**

Enter the 12-digit Illinois Department of Healthcare and Family Services ID number assigned to this facility. This consists of the 9-digit federal employer ID number, plus a 3-digit facility identification number.

Complete all other requested information. Please make sure the address is that of the facility and not the central office.

A "Charitable Corporation" designates a corporation--or portions of a corporation--the donations to which are tax deductible.

A "Sub S" Corporation designates a small business corporation as defined under subchapter S of the Internal Revenue Code.

II. Certification by Authorized Facility Officer.
The beginning and ending dates of the report should be indicated on the first page. The cost report year must be consistent with the previous year.

An authorized officer or the administrator of the facility must sign and date the certification on page one of the form. Please enter the name, telephone number and Email address (if available) of the individual who should be contacted in the event there are questions concerning any information contained in this report.

Anyone who is paid to prepare a cost report must sign the report and fill in the other blanks in the paid preparer's information area. (This does not include employees of the facility.) Any cost report which has not been signed by both the facility officer and the paid preparer (if applicable) will be considered incomplete and will be returned to the facility for proper signature. The declaration of the preparer (other than the provider) is based on all information of which the preparer has any knowledge. A Certified Public Accountant may attach a signed and dated compilation report instead of signing the certification section. The CPA must make a note in the paid preparer section which states that a compilation report is attached. A sample of a compilation report may be obtained from the Bureau of Health Finance.

Page 2:

III. Statistical Data.

A. Enter the number of beds licensed by level of care, the total number of beds licensed, and the total licensed bed days available during the report period. For example, assume a facility had licensure for 100 SNF beds for eleven months (335 days) and licensure for 50 ICF beds for twelve months (365 days), and an additional 100 SNF beds became operational and were licensed during the twelfth month (30 days). The total bed days would be calculated by multiplying 100 by 335 days for 33,500 SNF bed days for the eleven months. For the twelfth month, 200 SNF beds were available, therefore, 30 days times 200 gives 6,000 SNF bed days. Total SNF bed days are 39,500. 50 ICF beds were available for 365 days or 18,250 ICF bed days. Therefore, a total of 57,750 bed days were available and licensed throughout the twelve-month period.

The number of licensed beds in the cost reporting year will be used in the calculation of the minimum occupancy standard with regard to the support rate. However, the capital rate will be based upon **the maximum potential bed capacity of the facility**. For example: If a facility was licensed for 100 beds at the end of the cost reporting period, but will increase their licensure or building capacity to 130 beds during the rate year, assuming the cost report contains the total building cost, then the maximum capacity of 130 beds will be used in calculating the rate.

1	2	3	Calculation	4
Beds at Beginning of Report Period	**Licensure Level of Care**	**Beds at End of Report Period**	**Bed Days Licensed During Report Period**	**Total**
1 100	Skilled (SNF)	200	100 x 335 = 33,500 200 x 30 = 6,000	39,500 1
2	Skilled Pediatric (SNF-Ped)			2
3 50	Intermediate (ICF)	50	50 x 365 = 18,250	18,250 3
4	Intermediate/DD (MR)			4
5	Sheltered Care (SC)			5
6	ICF/DD 16 or less			6
7 150	Total	250		57,750 7

B. Enter the total number of patient days during the reporting period (by level of care of the patient). It is extremely important that the breakdown of the census be correct when filed with regard to level of care. The Bureau of Health Finance will not allow any changes to the census for the purpose of maximizing reimbursement once the report has been used to set reimbursement rates. A patient day is defined as a twenty-four hour census-taking period during which the bed is occupied. The day of admission may be counted as a patient day; the day of discharge should not be included as a patient day unless it is the day of death. (Do not include bed-hold days on these lines!) All applicable lines of this schedule must be completed. A report which does not provide a breakdown by level of care will not be accepted.

An individual should be classified as a Medicaid recipient if any portion of his care is reimbursed by the Illinois Department of Healthcare and Family Services. Individuals categorized as sheltered care should be classified as Medicaid recipients if they receive any payment from the Illinois Department of Healthcare and Family Services.

C. Enter the portion of time that the total beds were occupied. This percentage is determined by dividing total census days on line 14, column 5, by total licensed bed days on line 7, column 4.

D. Enter the number of bed-hold days paid by the Department of Healthcare and Family Services during the reporting period.

IV. Accounting Basis.

All facilities, other than governmental, must report on the accrual basis. In the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the time of receipt or payment.

Pages 3 and 4:

V. Cost Center Expenses.

Please read the instructions carefully before each schedule is completed as any report not completed in accordance with the instructions will not be accepted and will be considered out of compliance with filing requirements. Enter actual costs by cost center for the cost reporting period shown on page 1. Estimates of cost are not allowable. Costs must not be projected for future periods. **Please round to the nearest dollar here and throughout the report.**

The entries in columns 1 through 4 must reflect the general ledger balance. Reclassifications are to be entered in column 5, and the reclassified total entered in column 6. All reclassifications must be explained on an attached schedule. Adjustments from Schedules VI and VIII would be entered in column 7; and the adjusted total, column 6 minus or plus column 7, entered in column 8. Columns 9 & 10 are for the use of the Bureau of Health Finance Section Only -- Please leave blank!

Costs of care for all long-term care patients regardless of payer are to be reported.

Reclassification of some elements of the expenses as per the general ledger reported in columns 1 through 4 may be necessary to conform to the expense categories listed in Schedule V. For example, if the general ledger accounts for the facility are set up so that interest expense is included in administrative expense, a reclassification is necessary. The amount of interest expense would be a reduction of administrative expense and an increase in interest expense.

	Column 4	Column 5	Column 6
	Total Per General Ledger	**Reclassification**	**Reclassified Total**
Admin. Expense	$45,000	($1,500)	$43,500
Interest Expense	0	1,500	1,500
Total	$45,000	$ 0	$45,000

Every reclassification involves at least two entries and each complete reclassification entry must sum to zero. The entire column 5 must sum to zero. Also, the totals of column 4 and column 6 must be equal. Reclassifications must be explained on an attached schedule.

The following definitions should be used as a guide in completing Schedule V:

Operating Expense (Page 3):

A. General Services:

1. **Dietary Salaries:** Gross salaries and wages earned by those preparing food, serving food, dishwashing, planning menus, ordering dietary supplies, maintaining dietary inventory and scheduling dietary employees' working hours. Throughout this report, gross salaries include vacation, sick pay, and any employee-authorized deduction. Gross salaries exclude other employee benefits paid for by the employer; employee benefits for all employees should be entered with fringe benefits on line 22. All individual salaries and wages should be reported in the "Salary/Wage" column if those salaries and wages are subject to social security tax or IMRF for county facilities. All other individuals should generally be treated as consultants. Report all consultant fees in the "Other" column and be sure to detail such consultant fees on Schedule XVIII-B. **Bonuses paid to employees should be recorded as part of the individual's total salary. Bonuses should not be recorded on line 22.**

   Dietary Supplies: Supply expenses for preparing and serving food such as dishes, glassware, flatware, paper products used in food service, kitchen utensils, soaps and detergents, menus, aprons and uniforms for dietary personnel, as well as other miscellaneous dietary expenses. (Food must be classified on line 2.)

   Other: Fees for dietary consultants are to be included in this item. (All individuals paid by the facility and not subject to social security withholdings should be considered as consultants and entered in the "Other" column. Do not enter consultant fees in the "Salary/Wage" column.)

2. **Food Purchase:** Food purchase expenses including food and food supplements for special diets. However, a portion of sales tax on the purchase of food must be adjusted out of this line. Since food purchased for Medicaid patients is exempt for sales tax, this expense for other patients must be adjusted out so as not to distort the Medicaid per diem cost. (See the instructions relating to Schedule VI, #13.) **Expenses related to vending machines must be classified on line 41.** Expenses related to alcoholic beverages must be adjusted out.

3. **Housekeeping Salaries:** Gross salaries and wages of housekeepers, maids, porters, janitors and other housekeeping employees including employees ordering housekeeping supplies, maintaining housekeeping inventories and scheduling housekeeping employees' working hours. Do not include employee benefits. (Do not include laundry salaries.)

Housekeeping Supplies: Housekeeping supplies such as brooms, brushes, cleaning compounds, disinfectants, germicides, insecticides, mops, polish, paper towels and drinking cups.

Other: Other expenses relating to housekeeping that are not applicable to salaries or supplies.

4. **Laundry Salaries:** Gross salaries of laundry personnel used for in-house laundry including employees ordering laundry supplies, maintaining laundry inventories and scheduling laundry employees' working hours. Do not include employee benefits.

   Laundry Supplies: Linens and laundry soaps, detergents and bleaches used to operate laundry service. **(The cost of incontinent supplies and related items must not be included on this line, but should rather be classified on line 10, column 2.)**

   Other: Other laundry expenses not included in salaries or supplies. If laundry services are purchased, that expense should be entered here.

   Laundry revenue resulting from charges to private pay patients need not be offset against laundry expense. However, laundry revenue resulting from charges to outpatients or non-patients must be offset against laundry expense.

5. **Heat and Other Utilities:** Enter the expense of electricity, water, gas and other utilities. Cable TV expense for the lobby only should be reported here. Cable TV expense for residents' rooms is not allowable and must be adjusted out of Schedule V and detailed on line 5 of Schedule VI. Do not include telephone expense; telephone expense must be reported on line 21.

6. **Plant Operation and Maintenance Salaries:** Gross salaries and wages of individuals employed in the operation and maintenance of building or equipment including employees ordering maintenance supplies, maintaining maintenance inventories and scheduling maintenance employees' working hours. Do not include employee benefits.

   Plant Operation and Maintenance Supplies:
   Supplies, parts and materials required to maintain the building or equipment as well as inspection fees for physical plant such as elevators or boilers. Most non-depreciable equipment should be included here. Exceptions are non-depreciable nursing equipment, which should be entered on line 10, and non-depreciable office equipment, which should be entered on line 21.

   Other: Expense of outside contractor services to repair or maintain the building or equipment as explained below.

   All maintenance costs must be expensed in the fiscal year they were incurred. Repairs under $2,500 must be expensed in the year the repair was performed. Equipment purchases under $2,500 must be expensed in the year acquired.

   Equipment must be depreciated if it costs **$2,500** or more and has an estimated useful life of two years or more. If items with estimated lives of two years or more are acquired in quantity and the cost of the quantity is at least **$2,500**, these items must also be depreciated over their useful lives. Single items of repair which cost **$2,500** or more and have a life of two years or more must be considered as capital improvements and must be depreciated over the useful life of the repair. Improvements of this type must be reported on Schedule XI-B. Leasehold improvements costing **$2,500** or more are to be depreciated over the remaining life of the lease (including extensions) or the useful life of the improvement, whichever is shorter.

   The applicable costs relating to each equipment item, improvement or repair project must be aggregated before being compared to the appropriate $2,500 threshold in the previous paragraph. For example, if the nursing home incurs $600 labor cost and materials cost totaling $2,000 for one repair project, then the total of $2,600 must be capitalized rather than be recorded as a current year operating expense. The total cost for the item must be reported on the same line. Items under $2,500 will be removed from Schedule XI-B (2006 to present).

Software and Computer Equipment - If the total cost for software and equipment is less than $2,500, the cost should be reported as a supply cost in the department for which it is primarily used. If the total cost for the software and equipment exceeds $2,500, the cost must be capitalized as equipment and depreciated.

Please note that if total interior painting and wallpapering incurred during the year equals $2,500 or more, the amount may be capitalized. For example: If a facility reports on a calendar year basis and $1,200 of interior painting was done in March and $1,300 was done in October, the total amount of $2,500 may be capitalized. If it is capitalized, the cost must be depreciated over 5 years and removed from the cost report when it is fully depreciated.

The election to charge painting and wallpapering costs to maintenance expense or to capitalize it as a part of the building must be made at the time the cost report is filed. Thus, cost reports cannot be amended at a later date to change the classification of these costs.

7. **Other:** Enter all expenses of general services which do not fit logically into the first six items on this schedule. Please identify the nature of the expense in the account column. If there is more than one type of expense included or if the total is in excess of $1,000, attach a schedule detailing these expenses. **Security and waste removal expense should be listed here and detailed appropriately.**

8. **Total General Services:** Sum of lines 1 through 7.

B. Health Care and Programs:

9. **Medical Director:** Enter the salary of the Medical Director in the "Salary/Wage" column. If the Medical Director is a consultant, enter these consultant fees in the "Other" column. Be sure to also detail Medical Director consultant fees on Schedule XVIII-B.

   If the Medical Director provides routine care to patients in addition to the Medical Director function, please prorate the salary between functions based on the number of hours spent in each function. The portion of salary related to direct patient care must be reclassified to line 39, "Ancillary Service Centers" on page 4 and should also be listed on Schedule XIV, Special Services under "Physician Care".

10. **Nursing and Medical Records Salaries:** Gross salaries and wages of the nursing staff, which includes nurses and aides, MDS personnel, employees ordering nursing supplies, maintaining nursing inventories and scheduling nursing employees' working hours. Supervisory nursing personnel and medical records personnel as well as those rendering direct patient care should be included. Do not include employee benefits. The salary for the Director of Nursing and the Assistant Director of Nursing must be included on this line.

    Due to the confusion and inconsistencies that would be involved with reallocation of nursing salaries for support type functions performed (such as carrying food trays or cleaning wheelchairs), all nursing salaries must be reported in the Health Care Section of the report. Thus, the salaries of the following employees must be reported in the Health Care Section if they meet either of the following qualifications:

    1. **Job Title -** If a person's job title is nursing related such as nurse aide.

    2. **Availability -** If a person is available to answer call lights or to be reported to the Department of Public Health in determining appropriate staffing levels.

    3. Persons working primarily in the nursing/programs area of the facility under the general supervision of the Director of Nursing even if these employees are not nurses. This would include medical records personnel, nursing supply clerks, ward clerks, care plan coordinators and nurse scheduling employees.

    4. For DD/16 and DD 4-6 bed homes, the entire salary for the individual(s) responsible for overseeing the residents during the night must be recorded on line 10 even if the individual(s) performs some general service or general administration duties (i.e., housekeeping, laundry, *etc.*).

Nursing Supplies: Includes all nursing supplies used in rendering care to patients, such as adhesive, catheters, **Incontinent supplies and related items including diapers (both disposable and non-disposable)**, dressings, gauze, hypodermic syringes and needles, rubber goods, shampoo, shaving cream, soap, toothbrushes, toothpaste, thermometers, tube feeding equipment, and "non-prescription medications". Resident clothing expenses are not allowable.

(Refer to Appendix C-26 of the Department of Healthcare and Family Services' Handbook for Long-Term Care Facilities for a listing of "personal care items".)

The costs of ancillary services and supplies rendered to facility residents by providers who bill Medicaid directly are not allowable costs. These services include but are not limited to: physicians, prescription drugs, ostomy supplies, radiology, laboratory and medical transportation. The cost of these services and supplies must also be classified as ancillary for non-Medicaid residents.

In addition, the cost of oxygen which is required to be provided per page C-244 of the Department of Healthcare and Family Services' Handbook for Long-Term Care Facilities should be listed on line 10 of this schedule. However, oxygen costs which are directly reimbursed by the Department of Healthcare and Family Services must be classified on line 39 – "Ancillary".

Software and Computer Equipment - If the total cost for software and PC equipment used in performing "Nursing and Medical Records" duties is less than $2,500, the cost should be reported as a supply cost in the Nursing and Medical Records department for which it is primarily used. If the total cost for the software and equipment exceeds $2,500, the cost must be capitalized as equipment and depreciated.

MDS Software and Computer Services – Expenses related to providing MDS computer services and consulting should be reported in column 3 of line 10.

All receipts for Medicaid patients from billings to Part B, Medicare must be refunded to the Department of Healthcare and Family Services similar to other third party payments. Do not offset this revenue against the applicable expense on Schedule V.

Other: Include the fees for a nurse consultant, medical records consultant, pharmacy consultant or other health care consultants, and utilization review. All consultant fees must also be detailed on Schedule XVIII-B.

10a. **Therapy Salaries:** Gross salaries and wages of those individuals performing therapy functions. This would include physical, occupational, respiratory, speech therapy, *etc.* Therapy/habilitation aides should be recorded on this line. Licensed therapists' wages that are subject to social security tax should be recorded in column 1 (Salary/Wage) and should also be detailed on Schedule XIV. Therapy consultants are to be recorded in column 3 (Other) and must be detailed on XVIII-B.

Routine therapy costs for physical, occupational, respiratory and speech therapy should be reported on this line. Therapy costs billed to the Department separate from the daily rate or reimbursed separately by Medicare or another third party should be reported on line 39 of page 4.

NOTE:
All therapy costs allocated from related party therapy companies must be reported here or in the Ancillary Section, line 39. They are not to be allocated to the General Services, General Administrative or Capital sections of Schedule V of the cost report. (All pharmacy costs allocated from related party pharmacy companies must be reported on line 39 or line 10 depending on the type of medications provided to the facility.)

11. **Activities Salaries:** Gross salaries and wages of individuals working with the activity program. Do not include individuals reported on other line items.

    Activities Supplies: Includes supplies used in the activity program.

    Other: Enter the fees for an activity consultant if applicable. Expense of religious services should be included in this line item.

12. **Social Services:** Gross salaries and wages paid to social service staff including psycho-social and social service designee whether they are full-time or part-time. Do not include employee benefits and do not include individuals reported on other line items.

13. **CNA Training:** All CNA training expense (for facility employees only) required by the "Nursing Home Care Act" must be entered on line 13 and must agree with the total CNA training expenses on Schedule XIII, line 10, column 1. Do not include any CNA training expense for non-employee CNAs on Schedule V.

    Classroom wages, clinical wages and the portion of in-house trainer wages applicable to employees only from Schedule XIII should be included on line 13, column 1. Books and supplies expense should be classified on line 13, column 2. Community college tuition, transportation, contractual payments and CNA competency testing fees for facility employees should be classified on line 13, column 3. Clinical wages paid to all your employees who received clinical training must be classified on line 13. Do not classify this expense on line 10.

    The reimbursement by the state for CNA training (whether received or receivable) should be entered on page 19, line 11, but should not be offset against the nurse aide training costs on Schedule V, line 13.

14. **Program Transportation:** Includes fuel, miscellaneous supplies and the pro rata share of repairs made to care-related vehicles which are attributable to the program and health care area. Depreciation, interest and lease costs should be recorded in the capital expense section. Medically necessary transportation which is billed directly to the Department of Healthcare and Family Services must be reported on line 38. Costs associated with non-patients and non-employees are not allowable. **Day training transportation costs must be reported as an ancillary expense.**

15. **Other:** Enter health care costs not fitting into the categories listed in items 9 through 14. Please attach a schedule identifying the nature of the expense in the account column if there is more than one type of expense on this line or if the total is in excess of $1,000.

16. **Total Health Care and Programs:** Sum of lines 9 through 15.

C. General Administration:

17. **Administrative Salaries:** Gross salaries and wages of general administrative personnel such as the facility Administrator and Assistant Administrator. Do not include employee benefits. The entire salary of the Administrator must be entered on line 17--this salary must not be allocated to other lines of the cost report. Details must be provided in Section A of Schedule XIX.

    Compensation paid to a non-working officer, employee or owner is not allowable and must be adjusted out using Schedule VI. The regulations define allowable administrative salaries to be the reasonable costs of salaries paid to the administrator and assistant administrator (reasonableness is determined by hours worked, need for position and prevailing salaries in the industry). Costs in the area of administrative and professional fees will be reviewed closely during desk audit and field audit. You will be notified if there are any adjustments to this expense due to audit.

Other: This entry is only for central office expense for services provided by the central office or parent organization. An explanation of services provided and method of apportionment must be provided in Schedule VIII. Details must also be provided in Section B of Schedule XIX.

This cost must then be reclassified to the appropriate cost center using column 5. For example: If the central office allocated $500 of depreciation expense to this home, the $500 must be reclassified from line 17 to line 30.

18. **Directors' Fees:** Enter fees paid to all directors. The director must attend the meeting in order for a director's fee to be allowable. Auditable records indicating attendance and duration of meetings must be kept. Please provide details on Schedule VII-C.

19. **Professional Services:** Professional fees paid for legal services, accounting, data processing and management services. Management fees paid to unrelated parties are allowable to the extent they are reasonable in relation to services performed. These services are subject to the limitations listed in the instructions for Schedule VI. Details of professional fees must be provided in Section C of Schedule XIX.

    If these services are purchased from related organizations--an overlap in ownership of five or more percent, organizations with any ownership interest held by relatives of the owners, or an overlap in control--they must be itemized in Schedule VII; if provided by a central office or parent organization the allocation basis must be specified in Schedule VIII. Details must be provided in Section C of Schedule XIX. Legal and accounting costs incident to stockholders' interests or corporate matters not related to patient care, retainer fees, collection fees and legal fees for lawsuits against the state or federal government are not allowable. Legal and other expenses which relate to transactions or disputes among owners are not allowable. Legal expenses for owners' or related parties' personal matters are not allowable. All non-allowable expenses should be adjusted out using Schedule VI. **Any monetary settlement from a lawsuit must be offset against the appropriate expenses.**

    For buildings rented from a related party, legal, accounting, clerical, trust fees and other costs incurred to set up and maintain the site and building ownership in an entity separate from the licensed operating entity are not allowable.

    Expenditures attributable to the negotiation or settlement of the sale or purchase or lease of any capital asset after 7/18/84 (including legal fees, accounting and administrative costs, travel costs, and the costs of feasibility studies) are not considered to be allowable costs and must be adjusted out of Schedule V.

    Reasonable costs incurred by providers in activities consistent with the National Labor Relations Act (NLRA) may represent allowable costs of operation, provided such costs are not directly related to influencing employees with respect to unionization and further provided such costs are not unreasonable in amount. Reasonable costs incurred to keep employees informed on issues and to keep the lines of communication open between employees and employers are usually necessary and proper as they are part of normal personnel management and, therefore, may be allowable costs, provided such costs are not related to influencing employees with respect to unionization. Costs incurred for activities related to influencing employees respecting unionization or related to attempts to coerce employees or otherwise interfere with or restrain the exercise of employee rights under the NLRA are not allowable costs for program purposes. Such costs are unallowable whether such activities are performed directly by the provider or through an independent contractor, consultants or outside attorney.

    Fees for licensed consultants must not be reported here, but rather should be reported as a cost in the section that relates to the service provided. For example, a licensed therapy consultant must be reported on line 10a, column 3.

20. **Dues, Fees, Subscriptions and Promotions:** Reasonable cost of membership in organizations related to the development and operation of patient care facilities and programs, or the rendering of patient care services is allowable. The portion of any dues or special assessments which relate to lawsuits against the state or federal government are not allowable. The cost of membership in civic (such as the Chamber of Commerce), social or fraternal organizations is not allowable. The portion of dues that relates to lobbying or political action (PAC dues) is not allowable. Trust fees are also a non-allowable expense.

    The cost of subscriptions to professional, technical or business-related periodicals is allowable. Fees paid for Health Care Worker and patient background checks are allowable.

    Allowable advertising costs include: Those in connection with recruiting personnel, or for procurement of scarce items or services related to patient care. Advertising costs are not allowable in connection with fund raising or to encourage patient utilization. In coordination with this, **marketing expense, newsletter expense for non-residents and other public relations expense are not allowable.** Contributions and donations are not allowable on the cost report and should be adjusted out using Schedule VI. A detailed schedule of costs reported on this line must be provided on Schedule XIX, Section F.

21. **Clerical Salaries:** Gross salaries and wages of clerical staff. Do not include employee benefits. Do not include the salary of medical records personnel here, as it must be recorded on line 10. No Health Care salaries should be reported on this line.

    Clerical Supplies: Office supplies, printing, postage and copier expense.

    Other: All other clerical expense not related to salaries or supplies, **including telephone and pager expense.** Telephone and pager leasing expense must be reported here as opposed to line 35. **Costs related to telephones located in resident rooms and the cost of advertisements in the yellow pages are not allowable expenses.** Fines, penalties and bank overdraft charges are not allowable expenses.

22. **Employee Benefits and Payroll Taxes:** The expense to the facility of benefits paid by the facility for all employees such as retirement, pension, annuity, physical examinations, life insurance, health insurance, workers' compensation insurance, malpractice insurance for individual employees, payroll taxes, meals, unemployment insurance and necessary employee vaccinations. Benefits shown as costs must be required by law, a written contract or written policies of the facility. For pension plan payments you must attach a schedule which shows the amount of pension cost for owners and related parties and the amount for all other employees. Include the number of employees for which contributions were made to the pension plan.

    If a facility provides uniforms or a uniform allowance for its employees, the cost of such should be reported on the same line as the employee's salary, but must be classified under column 2, "Supplies". Do not include the uniform allowance on line 22 – "Employee Benefits".

    Payments to an IRA are not an allowable cost. Tickets to sporting events, concerts and other forms of entertainment are not allowable expenses.

    For any non-cash compensation to be allowable, the employee must have been issued a W-2 for the value. Adequate supporting documentation must be available which specifies the item, amount, verification of value, purchase documents, *etc*.

23. **Inservice Training and Education:** The actual expense to the facility of providing inservice training and education may include expenses of travel, food, lodging and attendance fees. It may also include expense of bringing consultants to the facility to conduct the training session. This item must not include salaries of staff participating in training courses. (The expense of the CNA training program must be included on line 13.) **If the cost on this line exceeds $5,000 ($2,500 for an ICF/DD 16 or under facility), include a detailed schedule of those costs with the cost report.**

24. **Travel and Seminar:** Travel, lodging, food and registration fees related to attending conferences and conventions within Illinois or within 50 miles of Illinois are allowable if the following conditions are met:

    a) The conference is specifically of an educational nature (i.e., improvements of skill levels). Meetings directed toward lobby activities are not considered educational.

    b) Staff in attendance are those involved in supervising and providing direct care to clients.

    c) Costs associated with other than direct care staff (i.e., accountant, bookkeeper, *etc.*) are allowable when attendance at a conference was at the request of, or sponsored by, the state, or if the seminar is directly related to government cost reporting and reimbursement education.

    Reimbursements paid to general service and administrative employees for travel costs incurred are to be reported on line 24. Travel vouchers and supporting documentation must be maintained.

    Travel for nursing and program employees is to be reported on line 14.

    If an employee is paid a travel allowance, the cost is to be reported as follows:

    A. If the employee submits travel vouchers and supporting documentation, then the costs related to operation of the nursing home should be reported on lines 14 and 24 as applicable.

    B. If the employee does not submit travel vouchers and supporting documentation to the facility, then this travel allowance will be considered to be a part of the employee's salary. This cost would be reported on the same cost report line as the employee's regular salary or wage.

    Travel costs of owners and employees which do not relate to patient care, as well as entertainment expenses, are not allowable and must be entered on Schedule VI and adjusted out of Schedule V.

    A detailed schedule of costs reported on this line must be provided on Schedule XIX, Section G or on an attached schedule. You must include a justification of the need for travel. **If more than $5,000 ($2,500 for an ICF/DD 16 or under facility) is reported on line 24, additional details must be provided on an attached schedule in addition to Schedule XIX, Section G.** This detail must include the name of the individuals that attended the seminar, their job title, the dates attended, the location (city and state), title of the seminar, sponsor of the seminar and cost associated with each seminar.

    For travel costs other than seminar related, you must provide complete descriptive details of any travel vouchers or other purchases of travel in excess of $500.00 each. For example, provide the employee name, destination, reason for travel, mileage, mileage rate, total mileage reimbursement and complete details regarding other costs.

25. **Other Administration Staff Transportation:** Includes fuel, miscellaneous supplies and the pro rata share of repairs made to care-related vehicles. **Credit card receipts of fuel purchases are not considered adequate documentation.** In order for auto usage costs to be allowable, logs or other documentation must be maintained to support business usage.

    Commuting expense to and from the facility is not an allowable cost.

    Depreciation, interest and lease costs are to be included with capital expenses on page 4 of the cost report.

    If more than $5,000 ($2,500 for an ICF/DD 16 or under) is reported on line 25, a detailed breakdown of these costs must be provided on an attached schedule.

26. **Insurance -- Property, Liability and Malpractice:** Enter expense for insurance on property and equipment; include liability, fire, comprehensive insurance and malpractice insurance expenses for the facility. Workers' compensation insurance should be entered on line 22. Mortgage insurance should be reported on line 36.

    Income from an insurance settlement must be used to offset the applicable expense on Schedule V. Additionally, if a facility chooses not to file a claim for losses covered by insurance, the costs incurred by the facility as a result of such losses are not allowable.

27. **Other:** Attach a schedule identifying the nature of the expense in the account column if there is more than one type of expense on this line or if the total is in excess of $1,000.

28. **Total General Administration:** Sum of lines 17 through 27.

29. **Total Operating Expense:** Sum of lines 8, 16, and 28.

Capital Expense (Page 4):

D. Ownership:

30. **Depreciation:** Include depreciation of all depreciable assets in this item; no depreciation expense should be listed elsewhere on this schedule except as required on line 38. Depreciation on care-related assets is an allowable cost subject to the following conditions.

    1. Depreciation must be computed on a straight line basis, starting from the date of completion or installation. If an accelerated method is used for book purposes, an adjustment must be made on Schedule VI for the difference. (See instructions for Schedule XI.)

    2. Depreciation must be based on the historical cost of the asset. Adjustments in basis are not allowable for purchase of partnership interest, for other transfer of assets among related parties or due to purchase of capital stock. The basis of the building and equipment may not be increased by retroactively capitalizing costs which were previously expensed on the books of the provider.

    3. Depreciation must be spread over the useful life of the asset using the American Hospital Association guidelines followed by Medicare. Single items of equipment purchased at a cost of **$2,500** or more with an estimated life of two years or more are to be depreciated. If items with estimated lives of two years or more are acquired in quantity and the cost of the quantity is at least **$2,500**, these items must also be depreciated over their useful lives. Single items of repair which cost **$2,500** or more and have a useful life of two years or more are to be considered as capital improvements and must be depreciated over the useful life of the item. Leasehold improvements costing **$2,500** or more are to be depreciated over the remaining life of the lease (including extensions) or the useful life of the improvement, whichever is shorter. Depreciation expense on new fixed assets must be based upon the number of months used in the current year.

       All costs relating to each equipment item, improvement or repair project must be aggregated before being compared to the $2,500 threshold in the previous paragraph. For example, if the nursing home incurs a $600 labor cost and materials cost totaling $2,000 for one repair project, then the total of $2,600 must be capitalized rather than be recorded as a current year operating expense.

    4. Depreciation lives must be consistent from year to year. Also, the provider is not allowed to decrease the accumulated depreciation which was originally reported on the first Medicaid cost report.

31. **Amortization of Organization and Pre-Operating Costs:** Costs of organizing the facility prior to operation are allowable only if amortized over a five year period using the straight-line method of amortization. Similarly, other pre-operating costs are allowable if amortized (straight-line) over a five year period. Organization costs include those costs which are directly incident to the formation of the initial corporation or other form of business. The benefits or services inherent in organization costs should extend over future time periods of operation. Examples of allowable organization costs include legal fees, accounting fees, incorporation fees, expenses of directors, *etc.* However, the costs associated with restructuring an existing organization into a different form are not allowable.

    Pre-operating expenses are those operating expenses which are incurred in making preparation for rendering patient care before the first patient is admitted. In that these costs provide benefits over future accounting periods, the costs should be capitalized and amortized over a 60 month period beginning when the first patient is admitted. Examples of these expenses are interest expenses (excluding interest on construction during the time of construction), maintenance, insurance, taxes, utilities, employee training costs, *etc*. Any facility which has been in operation for five or more years cannot claim any expense under this item. For example, if a facility incurred organization and pre-operating costs of $5,000, the facility may expense 20 percent of the amount per reporting year. A facility in its fifth year of operation may claim the $1,000 (20 percent times $5,000) for this reporting period, but cannot claim any expense under this item in subsequent years. A facility in its first year of operation may claim $1,000 annually for five years.

    If organization and pre-operating costs are not recorded in the general ledger, any eligible amortization expense should be entered on line 33 of Schedule VI.

    If there is any entry on line 31 of Schedule V, appropriate entries must be made in Part F of Schedule X. Also a schedule must be attached to the cost report which provides a complete description and breakdown of the total organization and pre-operating costs which were incurred.

    Planning costs should not be reported on this line. Planning costs should be added to the cost of the building and depreciated with other building costs over the estimated useful life of the building. Examples of planning costs are feasibility and engineering studies, architect fees, consultant fees, and provider staff time, *etc.*

    Interest costs on funds borrowed for construction incurred during the construction period must be capitalized as a part of the building cost, and depreciated over the life of the building. This expense should be included on Schedule XI, Part B.

    Planning costs and construction period interest which previously has been written off on the books of the provider cannot be capitalized at this time.

32. **Interest:** Enter working capital interest and interest on care-related long-term debt from Schedule IX-A, column 10, line 9.

    Reasonable and necessary interest on both current and long-term capital indebtedness is an allowable cost provided that the indebtedness is related to patient care. Interest paid by a facility to a related organization is allowable to the extent it does not exceed the prime rate of interest, but loans from related parties must be for a purpose that otherwise could have been borrowed from an unrelated financial institution. However, if the prime interest rate exceeds 125% of the prevailing mortgage rate at the time of the loan, then the interest rate will be limited to 125% of the prevailing mortgage rate.

    Bond financing costs are to be amortized over the term of the bonds. This amortization must then be classified on line 32 of Schedule V.

    Contributions from owners which are in essence contributions to owners' equity must not be classified as loans. For example, funds provided by owners to replace operating losses are contributions to capital and thus interest on such loans is not allowable.

Interest income, or other investment income from unrestricted funds must be used to offset allowable interest expense. Restricted, for the purpose of this instruction, refers to restrictions outside the control of the management of the facility such as a restricted purpose donation received. Thus, investment income from funds restricted in use by the management of the facility must be offset against interest expense.

The imputed value of interest income on loans receivable from officers, related parties or employees must also be offset against interest expense.

Interest paid on loans for the following purposes is not allowable: Purchase of capital stock, partnership buyouts of another partner's ownership interest, loans by related parties in order to provide funds to compensate or pay dividends to related parties, land in excess of the portion necessary for long-term care, investments, buildings or equipment not being used for long-term care, interest expense associated with late payments of income tax, payroll tax, *etc.* and interest on transfers within an agency such as an interagency loan fund.

No interest cost shall be recognized to the extent it exceeds payment used on 125% of the prevailing mortgage rate at the time of the loan.

33. **Real Estate Taxes:** Enter real estate tax. Deduct any over accrual of taxes from the previous year. Do not include employee withholding, unemployment tax, social security tax, sales tax, service tax, or income tax. Taxes may only be accrued to the extent that the expense is applicable to the cost report period. A facility may not accrue to the amount which they expect to pay during the rate year. Real estate taxes must be supported on Schedule IX-B, page 10.

    The Personal Property Replacement Tax - is an income tax and as such is not an allowable expense. Adjust this expense out of Schedule V and so note on Schedule VI, line 26.

    Legal fees used for the protest of real estate tax assessments may be reported with real estate tax expense. See the instructions associated with Schedule IX-B. Real estate taxes are not allowable if the facility could possibly qualify for an exemption. Do not include real estate taxes paid on the portion of land and buildings not used for long-term care purposes.

34. **Rent--Facility and Grounds:** Includes actual rent or lease expense paid to an unrelated party for the facility and grounds. Reasonable amounts expensed for the rental of care-related assets are allowable insofar as they represent arm's-length transactions between the owners of the property and the unrelated party claiming the expense.

    Rents paid to related organizations are not an allowable expense. The capital cost of the related organizations (i.e., depreciation, interest and real estate tax expense) must be itemized. See additional instructions relating to Schedule VII.

    Amortization of lease expense should be classified on this line also, and be detailed on Schedule XII, #8.

    For a sale and leaseback transaction, any rental expense in excess of the expense that would have been incurred if the provider had retained legal title to the property must be adjusted out of Schedule V.

    The increased costs of a sublease are not an allowable expense. Rent expense must be reduced to the amount of rent expense which would have been incurred under the initial rental agreement between the original lessor and the original lessee.

    Real estate taxes included in the rental amounts should be reclassified to line 33 as tax expense.

35. **Rent--Equipment and Vehicles:** Include expense of all equipment and vehicles leased or rented from an unrelated party. In coordination with this, be sure to detail such expense on Schedules XII-B and C.

36. **Other:** Show any other ownership expenses and attach an itemization of those expenses. Amortization of goodwill is not an allowable cost on the cost report.

37. **Total Ownership:** Sum of lines 30 through 36.

Ancillary Expense (Page 4)

E. Special Cost Centers:

38. **Medically Necessary Transportation:** Medically necessary transportation is an Ancillary Expense. It is reimbursable separately by the Department of Healthcare and Family Services for Medicaid patients. The portion of vehicle depreciation, interest, insurance, maintenance and supplies which applies to medically necessary transportation for all patients, should be reclassified to this line. Other transportation costs should be classified as either program transportation (line 14) or other staff transportation (line 25). If vehicles have multiple uses, their costs must be prorated among the uses.

39. **Ancillary Service Centers:** Enter salary, supply and other expenses of ancillary service centers relating to the facility. These expenses must be supported by providing details on Schedule XIV. See the instructions for Schedule XIV.

    Ancillary services are those services which are not explicitly required by licensing requirements. The following are ancillary services: physician care, dental care (except that dental screening for an ICF/DD resident is an allowable healthcare expense), work-related programs, pharmacy, academic education by licensed personnel and any service for which the individual practitioner bills the Department of Healthcare and Family Services directly. These services, when offered by the above practitioners, are ancillary services whether they are offered in the facility or outside the facility. Note: This does not include:

    1. Consultants--who should be reported in column 3 on lines 9-15; and

    2. Services offered by unlicensed personnel within the facility, even if they relate to the above program area; these costs should be entered in column 1 on lines 10-15. Any depreciation expenses charged to these areas should be entered on line 30.

    Related Parties providing Ancillary Services – If the facility contracts with a related party to provide ancillary services such as therapy or pharmacy services, all of the allocated related party expenses should be reported on lines 10, 10A or 39 as applicable. None of the expenses should be allocated to the administrative section or ownership section of the cost report. These expenses are paid for separate from the daily Medicaid rate. Therefore, any expenses incurred to provide those services must be reported in the Ancillary or Health Care section.

40. **Barber and Beauty Shops:** Enter salary, supply, and other direct expenses of barber and beauty services. Building depreciation may be included in line 30. Equipment depreciation must be included on this line.

41. **Coffee and Gift Shops:** Enter salary, supply, and other direct expenses for coffee and gift shops. Costs of goods purchased for vending machines must be entered on this line. Building depreciation may be included in line 30. Equipment depreciation must be included on this line.

42. **Provider Participation Fee:** Enter the provider participation fee that was paid and accrued to the Illinois Department of Healthcare and Family Services for this reporting period. An additional assessment was imposed beginning July 1, 2011. This additional assessment should be recorded on this line along with the previous assessment which is still in effect.

43. **Other:** Enter expense of other special cost centers as applicable. These expenses would be patient care-related that are not includable in the daily rate, including expense for **laboratory and radiology** services. Please identify the nature of the expense.

44. **Total Special Cost Centers:** Sum of lines 38 through 43.

45. **Grand Total Cost:** Sum of lines 29, 37, and 44.

Page 5:

VI. Adjustment Detail.

A. **Adjustable Expense Items:** Some expenses commonly incurred by long-term care facilities may not be appropriate for reimbursement under a cost-related system. This may be because the item is already being directly reimbursed in another context or because the item is not, properly speaking, a cost of the nursing home component of service. Schedule VI asks if the facility experienced any of these expenses and, if so, in what amount? These amounts should then be adjusted out of the cost report in column 7 of the line on which they were reported on page 3 or page 4.

Please note that this list is not comprehensive but rather includes the more common items which are not allowable. Any costs which do not relate to long-term care or costs which apply only to non-Medicaid patients are also not allowable.

Adjustments should be consistent with the following guidelines:

1. **Day Care:** Enter the total cost for day care, including overhead.

2. **Other Care for Outpatients:** Enter the total cost for other outpatient care, including overhead.

3. **Governmental Sponsored Special Programs:** Enter the total costs for any special programs provided by the facility but reimbursed by some governmental entity other than Medicaid. The cost of such programs should be itemized on a separate schedule and the total entered here should equal the total on that schedule. Improvements paid for by grants are not reimbursable.

4. **Non-Patient Meals:** Enter the cost of non-patient meals. (Includes guest meals, meals-on-wheels type of program and employee meals which are not consistent with the guidelines for fringe benefits, or for which the employees pay. Qualifying employee meals should be reclassified to employee benefits.)

5. **Telephone, Television and Radio in Resident Rooms:** Enter the total cost, excluding overhead.

6. **Rented Facility Space:** The expense of renting out a portion of the facility is not allowable. This would include rental of quarters to employees or others who are not inpatients (i.e., renting space to a pharmacy). Attach a separate schedule detailing how you calculated the adjustment for rental of facility space. To do so, multiply the percentage of rented space (i.e., square footage of space rented out divided by total facility square footage) times the following expenses as applicable: utilities, maintenance, insurance, building and improvement cost, depreciation, interest and taxes. Then make the adjustment to the applicable cost centers.

7. **Sales of Supplies to Non-Patients:** Enter the cost of supplies sold to non-patients. Ordinary and necessary routine supplies which are supplied to all patients and happen to be billed separately to private pay patients do not have to be adjusted out of the cost report.

8. **Laundry for Non-Patients:** Enter the cost per pound times pounds charged to non-patients. Laundry revenue from private pay patients need not be offset against laundry expense.

9. **Excess Depreciation:** Enter the depreciation adjustment from Schedule XI-E. This adjustment should be made for non-straight line depreciation; depreciation on non-care assets; and excess depreciation on asset lives which are shorter than allowed by these instructions.

10. **Interest and Other Investment Income:** Where appropriate enter amount of income earned from unrestricted funds invested. See the definition of patient-related interest in the instructions relating to Schedule V, line 32 and Schedule IX-A. Also, see definition of restricted funds in the instructions relating to Schedule V, line 32.

    The imputed value of interest income on loans receivable from owners, related parties or employees must also be entered here.

11. **Discounts, Allowances, Rebates, and Refunds:** Discounts, allowances, rebates and refunds received must be deducted from expenses because they represent cost offsets.

12. **Non-Working Officer's or Owner's Salary:** Enter the full amount paid to officers working less than an average of one hour per week for the facility, or the portion of salary paid which does not relate to long-term care.

13. **Sales Tax:** On food and certain other supply items, sales taxes are primarily paid on the proportion of the purchases for private pay patients. All sales tax of this type must be adjusted out of Schedule V and listed on this line. (Any facility that has private pay patients must make this adjustment.)

    For convenience of calculation, all sales tax paid on food can be adjusted out of Schedule V, line 2. If the exact amount of sales tax paid on food is not readily available it can be estimated by the following formula:

$$\text{Non-allowable sales tax expense} = \left(\frac{\text{Total food cost}}{1.01}\right) \times (.01) \times \left(\frac{\text{private pay \% of census}}{2}\right)$$

14. **Non-Care Related Interest:** Enter interest on non-related patient loans from Schedule IX-A, column 10, line 14. See the definition of patient-related as is detailed with regard to Schedule IX-A in these instructions. The following items of interest expense are also non-allowable and should be included here:

    Funds borrowed for investment purposes; funds borrowed to purchase the capital stock of the facility; funds borrowed for the personal benefit of employees, officers, or owners of the agency; interest on transfers within an agency; interest on the late payment of income taxes and interest on funds borrowed to fund negative equity (which has resulted from the payment of excessive salaries and dividends to owners). Mortgage and loan principal payments are not an allowable expense. Funds provided by owners to replace operating losses are contributions to capital and thus interest on these funds is not allowable.

15. **Non-Care Related Owners' Transactions:** List all owner transactions which are non-care related. (This would include any depreciation for non-care assets reported in Schedule V, column 3. Such depreciation should be itemized on Schedule XI-F.) Services primarily for the purpose of managing or improving the owner's financial investment, and central office costs of "holding companies" which provide no services related to patient care should be entered on this line.

16. **Personal Expenses of Owner** (including transportation): Any personal expenses for the owner, relatives or employees must be listed here.

17. **Non-Care Related Fees:** Membership fees for non-care related professional, technical, social, and similar organizations.

18. **Fines and Penalties:** All fines and penalties must be entered here. Interest expense on such fines and penalties is also non-allowable and must be adjusted out using line 14 of this schedule.

19. **Entertainment:** Report expense of entertaining which includes meals, lodging, parties, tickets to sporting events, concerts and other entertainment. (This does not include parties for patients which should be classified as a part of activity expenses.)

20. **Contributions:** Enter the amounts of all contributions, donations and awards made by the facility.

21. **Owner or Key-Man Life Insurance:** List the expense of any life insurance policy in which the facility is named beneficiary and the expense of any life insurance which is not generally available to all employees or all professional employees. If every employee is provided life insurance proportionate to their salary and the owner or key-man has a policy under this option, that cost will not be reported here. Likewise, any mortgage required insurance on an owner should not be reported here.

22. **Special Legal Fees and Legal Retainers:** Enter the legal fees for action taken against the state or federal regulatory or reimbursement agencies, fees associated with the collection of bad debts, **retainer fees**, legal fees incident to stockholders' interests or corporate matters not related to patient care, legal fees incurred on behalf of individual clients and any other legal fees not related to patient care. For additional non-allowable legal fees see the instructions relating to Schedule V, line 19.

    Also, include any legal fees here for which an invoice is not available with a complete description of services provided.

23. **Malpractice Insurance for Individuals:** List malpractice insurance paid by the employer on behalf of persons which are not full-time employees.

24. **Bad Debts:** List the bad debt expense claimed for this reporting period for all patients and payers only if they are reported in Schedule V. They should then be adjusted out of Schedule V. Legal fees incurred in relation to bad debts as well as other collection expenses are not allowable costs.

25. **Fund Raising, Advertising and Promotional:** Enter expenses of fund raising programs, advertising, marketing or promotion costs to encourage patient utilization. This would include the salary and related expenses associated with those personnel whose function it is to visit hospitals, social service agencies, individuals, *etc.* to promote usage of their facility. Newsletters to individuals other than residents should be recorded here. Advertising to increase patient occupancy is also non-allowable.

26. **Income Taxes and Illinois Personal Property Replacement Tax:** Enter the amount of state and federal income taxes included on Schedule V. The personal property replacement tax which became effective 7/1/79 is an income tax and should be recorded here.

27. **Cost of CNA Training for Non-employees:** Enter the cost of training non-employee CNAs as is recorded on Schedule XIII, line 9, column 3. This amount should be adjusted out of Schedule V, line 13, via column 7.

28. **Yellow Page Advertising:** Enter the expense of advertising in the yellow pages for the cost report period.

29. **Other:** Enter expenses of other non-care related or directly reimbursed services. Attach a schedule identifying the expenses, if more than one type of expense is entered here.

Some examples of other non-allowable expenses which must be adjusted out of costs on Schedule V are:

alcoholic beverages
charity and courtesy allowances
clothing
collection fees
cost of preparation of income tax returns for the owners of the facility
costs related to the purchase of capital stock
costs relating to changes in ownership forms such as incorporation
cost of corporate reorganization
costs to set up and maintain the site and building ownership in an entity separate from the licensed operating entity
costs which are only incurred for certain types of patients but not for Medicaid patients
country club dues
contributions to a contingency reserve for unforeseen events
covenant not-to-compete
excess rent incurred in a sale and leaseback transaction, or a sublease
farm expenses
fines and penalties
funeral and burial expenses
goodwill
investment expenses
lobbying costs
luxury items or services
overdraft charges
personal goods and supplies sold or given to patients or non-patients (i.e., including items from vending machines)
political action committee (PAC) dues
retainer fees
sitter services or private duty nurses
taxes for which exemptions are available to provider
tickets to sporting events, concerts and other entertainment expenses
tobacco
training program for non-employees
trust fees
vending machine expenses

The cost of insurance, interest, depreciation, gas, oil and maintenance on all non-care related vehicles and all automobiles exceeding the Department of Healthcare and Family Services' one auto limit must also be adjusted out. If the facility does have non-care related vehicles or automobiles in excess of the one limit, attach a separate schedule detailing the total cost of all vehicles, along with the method of allocating insurance, gas, oil, maintenance, *etc.*, to each individual vehicle.

30. **Subtotal (A):** Enter the sum of lines 1 through 29.

B. **Other Adjustment Items:** Adjustments for additional items not included in the general ledger expense are to be entered in items 31 through 35.

31. **Non-Paid Workers:** Services rendered by volunteers are allowable only to the extent the volunteers are used to meet minimum standards and the cost that normally would be incurred is determinable. Such services are allowed at the value that would be paid if a paid employee were hired, and if such expenses have not been reported on Schedule V. Auditable records must be maintained to support additions for non-paid workers and for donated goods.

If the facility is imputing a value for non-paid workers or donated goods, a schedule must be attached showing the types of services and goods donated, the method of valuation and the location of these costs on the cost report.

32. **Donated Goods:** Non-depreciable donated goods may be added to expenses at fair market values if such expenses have not been reported in Schedule V, and if these goods are necessary to meet minimum standards.

33. **Amortization of Organization and Pre-Operating Expenses:** Amortization of allowable organization and pre-operating expenses should be included on line 33 if this cost has not been amortized on the provider's general ledger. For further information on pre-operating costs refer to the instructions for Schedule V, line 31.

34. **Adjustment for Related Organization Costs:** This item relates to Schedule VII, Related Organizations. The amount from column 8, line 14 of Schedule VII-B should be transferred to this line. The amount transferred may be a positive or negative number; please indicate a negative number by use of brackets. (See instructions for Schedule VII.)

35. **Other:** Attach a separate schedule identifying the amounts entered here.

36. **Subtotal (B):** Sum of lines 31 through 35.

37. **Total Adjustments:** Sum of lines 30 and 36. This amount must equal the total on page 4, line 45, column 7 less the amount on line 44, column 7.

C. **Reclassifiable Expense Items:** As stated in the definition of ancillary services (instructions relating to Schedule V, line 39) some expenses for services over and above what is explicitly required in the regulations or those which are reimbursed in another context are not allowable costs and should be recorded in Section E, Schedule V. If costs for any of the services in lines 38 to 46 of Schedule VI are included in Sections A to D of Schedule V, they should be reclassified to Section E on page 4 of the cost report. The reclassification should be carried out in column 5 of Schedule V.

Specific items to be reclassified are:

38. **Medically Necessary Transportation:** Enter transportation expense for all patients which was necessary for medical purposes. This expense is reimbursed by the Department of Healthcare and Family Services in a separate manner for Medicaid patients.

40. **Gift and Coffee Shop:** Enter and reclassify any direct costs listed in Sections A to D of Schedule V. Be sure to reclassify costs of goods purchased for vending machines to this line.

41. **Barber and Beauty Shops:** Enter and reclassify any direct costs listed in Sections A to D of Schedule V.

42. **Laboratory and Radiology:** Enter and reclassify any expenses for laboratory and radiology included in Sections A to D, Schedule V.

43. **Prescription Drugs:** Enter and reclassify the costs of any drugs included in Section A to D other than those included in the Medicaid rate. This should include any pharmacist fees or salaries paid by the facility (except consultants' fees).

45. & 46. **Other:** Specify--on an additional schedule if necessary--and reclassify any other costs due to ancillary service centers (see instructions relating to Schedule V, line 39).

47. **Total (C):** Sum of lines 38 thru 46.

Page 6:

VII. Related Parties.

Both this Schedule and Schedule VIII have to do with the situation where a facility is doing business either as part of a larger entity or with an entity with overlapping control or ownership. The main thrust of Schedule VII is to make adjustments to the costs shown from transactions with related parties so that the net expenses reflect only costs. The purpose of Schedule VIII is to provide documentation of the manner in which indirect costs were allocated. While there definitely will be situations in which it is possible to complete one of these schedules without the other, it will more often be the case that if one of them is completed, both of them should be completed. The two most obvious exceptions to this will be: 1) the case where the related organization simply owns the physical plant and there is no allocation of indirect costs -- in which case only Schedule VII need be completed; and 2) the case where the allocation of indirect costs from the central office or parent organization appears directly on the books of the reporting facility -- in which case only Schedule VIII need be completed. In any event, if there is an entry with no markup for central office expenses included on line 34 of page 5 of the cost report, it must be supported in Schedule VIII.

For the purposes of Schedule VII, related organizations include those with 5 percent or more overlapping ownership and organizations with any ownership interest held by relatives of the owners of the reporting facility. Relatives include spouses, children, parents, brothers and sisters, grandparents, grandchildren, parents-in-law, sisters or brothers-in-law, and sons or daughters-in-law, aunts, uncles and cousins.

An organization which has any control over the operating policy of the reporting facility shall also be considered a related organization for the purposes of this schedule.

Schedule VII should be completed as follows:

Schedule A - Related Organizations
Enter the names of all individuals and entities having ownership in the nursing home (even those with less than 5% interest). Also, enter the names of all related parties or organizations as defined above. In column 1, enter the names and ownership percentage for all owners. In column 2, enter related nursing homes even if there has not been any transaction with the reporting entity during the current year. In column 3, enter all other related business entities. The type of business affiliation must also be entered in this section.

Please use the "Page 6 Supplemental" pages to list the owners, related nursing homes and related entities instead of attaching additional schedules. This schedule may also be used to list the Board of Directors.

Non-Profit Nursing Homes - On an attached schedule, please list each member of the Board of Directors that served during the reporting period. Indicate those members of the Board of Directors that directly provided services to the nursing home. Note the type of service provided. Also, list any entity in which a board member has ownership that conducted business transactions with this nursing home during the reporting period. Note the type of business conducted with the nursing home.

Schedule B - Related Organizations Providing Services

Column 2: Enter the line on Schedule V on which the related organization transactions are reported.
Column 3: The type of goods or services purchased from the related organization.
Column 4: The amount of the transaction reported in Schedule V.
Column 5: The name of the related organization.
Column 6: The percent of ownership overlapping.
Column 7: The actual cost to the related organization. (In the case of management fees or building expenses, it is necessary to give a more detailed breakdown of costs. See the examples that follow.)
Column 8: The differences between the cost to the facility and the cost to the related organization. (That is, column 7 minus column 4. This may be a positive or negative number. If it is a negative number, please bracket the number.) If this cost has been determined by the allocation of indirect expenses, Schedule VIII must also be completed.

The sum of column 8--which may be negative or positive--should be entered on Schedule VI, line 34. Only the sum of column 8 should appear on Schedule VI; the individual items should be transferred directly to column 7 of Schedule V.

County homes, non-proprietary facilities, and units which are part of a larger organization should use this schedule for reporting and adjusting payments for management services, rent, or other fees paid to a central unit.

Suppose, for example, a facility has management services such as payroll and accounting performed by a central organization and pays $500 per year even though the books of the providing organization show a cost of $1,000 for those services. The $500 cost would appear on Schedule V, line 19. The entries in Schedule VII would appear as indicated in example (a) below.

(a)

1	2	3	4	5	6	7	8
Schedule	Line	Item	Amount Paid	Name	% Owned	Cost on Books	Adjustment
V	19	Management Services	$500	--	--		$(500)
		Detail: Bookkeeping				$400	$ 400
		Payroll Services				$600	$ 600

Management fees which are actually payments to a central unit for insurance, interest, *etc.*, should be classified to the proper functional category (i.e., interest should be classified on line 32 and insurance expense on line 26 of Schedule V). Salaries paid to an owner or related party for overall supervision should not be allocated to each cost center on the cost report. The total salary must remain in Section C of Schedule V.

Suppose the facility paid rent of $50,000 per year, while the actual expense to the ownership company is $27,500 in depreciation and $12,500 in interest expense, for a total actual expense of $40,000. In this instance, the facility has paid an amount to the related ownership organization which exceeds the actual cost by $10,000. The $10,000 must be adjusted out of Schedule V by use of column 7. The entry on Schedule VII should appear as illustrated in entry (b) below. The adjustments for this entry should be made individually for rent, depreciation and interest on lines 34, 30 and 32 respectively in column 7 of Schedule V. The total of related organization adjustments should be transferred to line 34 of Schedule VI.

(b)

1	2	3	4	5	6	7	8
Schedule	Line	Item	Amount Paid	Name	% Owned	Cost on Books	Adjustment
V	19	Management Services	$500	---	---	$----	$(500)
		Detail: Bookkeeping				$400	$400
		Payroll Services				$600	$600
V	34	Building Rent	$50,000	---	---	0	$(50,000)
	30	Depreciation	0			$27,500	$27,500
	32	Interest	0			$12,500	$12,500
Total			$50,500			$41,000	$(9,500)

A schedule must be attached which provides a complete detailed explanation of costs of management fees paid to a related party. Salaries paid to owners and related parties through a management organization must be reported on Schedule VII-C and reconciled to this schedule.

Costs of related organizations must not include a profit or markup factor. Any related organization depreciation or interest expenses added to Schedule V must be supported on Schedules IX and XI.

Page 7:

VII-C.

Statement of Compensation and Other Payments to Owners, Relatives and Members of the Board of Directors. Enter the names of all individuals having any ownership interest or control in the facility (even those with less than 5% ownership) and the names of any immediate relatives of such individuals, who also received payment of any type (salary or wages, payment for services, pension, director fees, management fees, special fringe benefits provided only to owners and relatives as opposed to all employees or that portion of fringe benefits provided at a rate exceeding the rate provided to all employees, all non-cash compensation such as the personal use of facility vehicles, *etc.*) from the facility during the report period. For each individual listed, enter his title and function, average hours, percent of total work week, ownership interest information, and the type and amount of compensation. The average number of hours must be entered, a statement such as "various" or "as needed" will not be accepted. In column 5 indicate the total amount of compensation that each owner and related party received from other nursing homes. Then attach a schedule detailing the name(s) of the home(s) as well as the amount paid.

Also, this schedule must be completed for any members of the Board of Directors who receive a salary from the facility, even if this is a non-profit facility.

The total directors' fees shown on Schedule V, line 18 must be supported on this schedule.

This Schedule must include salaries paid by related entities, for which the costs have been included on Schedule V.

Failure to properly complete this Schedule indicating all forms of compensation received from this home, all other nursing homes and management companies may result in the disallowance of such compensation.

Page 8:

VIII. Allocation of Indirect Costs.

If part A is answered "yes," complete the remainder of the schedule. Column 1 should reference the line on pages 3 and 4 of the cost report which contains the item determined by the allocation of the indirect cost. Column 2 is a short description of the item, while column 3 should be used to specify the basis for the allocation. (Days, direct costs and square feet are all examples of possible methods of reasonable allocation.) Column 4 should list the total number of the above units among which the allocation is being made.

If, for instance, a corporation has twenty nursing homes and is allocating bookkeeping costs among all twenty, it might allocate costs by the number of patient days per facility. Column 4, then, should contain the total number of patient days in all twenty facilities. Column 5 would be used to indicate the total number of subunits among which the allocation is being made, in this case, the twenty facilities.

Another example would be a non-profit organization which offered 13 different services, one of which was a nursing home. It might allocate on the basis of the direct cost of each of the services. Column 4, then, would show the total direct cost of all 13 programs, while column 5 would indicate there were 13 programs.

Columns 6, 8, and 9 are used to actually carry out the allocation. Column 6 specifies the total cost being allocated; column 8, the particular facility's share of the total units; and column 9, the indirect costs which ultimately became part of the facility's costs. In the first example above, column 6 would indicate the total bookkeeping costs to the parent organization which are being allocated; column 8 would show the facility's number of patient days; and column 9 would show the resulting allocation.

Column 7 should indicate the amount of salary cost that is contained in the total indirect cost being allocated (column 6). For example: If $30,000 of housekeeping cost is being allocated and of that amount $25,000 is salary cost and $5,000 is supply cost, then the total indirect cost being allocated of $30,000 should be entered in column 6. Then the $25,000 of salary cost should be entered in column 7.

Page 9:

IX. Interest Expense and Real Estate Tax Expense.

A. **Interest Expense.** Complete the information requested concerning all unpaid notes as of the last day of the reporting year, as well as all notes paid off during the reporting period. Itemize all notes, short-term as well as long-term. (Attach a separate schedule if necessary).

Short-term for this purpose is defined as revolving credit or due within one year from the date on which the loan was made. Bond issues should also be reported on this schedule; indicate bond issue by writing "bond" in column 1. The interest rate in column 9 should be reported in 4 digits, (such as .0850 for 8.5%). All dollar amounts should be rounded to the nearest dollar.

Be sure to complete all columns of this schedule. All non-care related loans should be detailed on lines 10-13. Interest expense on all non-care related vehicles and all automobiles exceeding the Department of Healthcare and Family Services' one auto limit must be detailed on these lines.

Patient care-related debt and interest are that debt and interest which are necessary and proper for operation of the facility for the purpose of rendering patient care. Necessary means interest incurred on a loan made to satisfy a financial need of the provider and for a purpose reasonably related to patient care. For example, interest on loans for purposes of investing in something other than the provider's operations is not patient care-related. Necessary also requires that the patient care-related portion of interest be reduced by investment income whenever the funds are not restricted in a way that prevents the use of the investment capital to substitute for borrowed funds. Proper means that interest be incurred at a rate not in excess of what a prudent borrower would have to pay in an arm's-length transaction in the money market when the loan was made. Non-patient, related interest will be excluded for purposes of determining reimbursement rates. See additional comments concerning interest in the instructions relating to Schedule V, line 32.

All interest expense including that paid to a related organization must be detailed here and should agree with total interest on Schedule V, line 32, column 8.

In the event of uncertainty regarding reporting of interest, consult the Bureau of Health Finance.

Page 10:

B. **Real Estate Taxes.** This Schedule is used to detail real estate tax expense reported on line 33 of Schedule V and the real estate tax accrual on line 32 of Schedule XV.

On line 1 enter the real estate tax accrual which was reported on Schedule IX-B of the 2014 cost report. Over accruals from the 2014 cost report must be used to reduce real estate tax expense reported on the 2015 cost report. Likewise, under accruals from the 2014 cost report can be added to the 2015 real estate tax expense. An explanation of the basis used to determine the real estate tax accrual for 2015 must be provided at the bottom of page 10. Line 4 must agree with Schedule XV, line 32. Line 7 must agree with Schedule V, line 33.

Real estate taxes on vacant land and land used for non-care related purposes must be adjusted out. An adjustment must also be made if any portion of the building is used for non-care purposes.

Line 5 - If the facility chooses to appeal an increase in real estate tax, the direct cost of that appeal may be reported as a real estate tax cost on line 5 of this schedule instead of as a professional fee cost on Schedule V. An example of this cost would be a fee paid to a lawyer to prepare the appeal. Only fees paid to lawyers or organizations which specialize in real estate tax appeals may be considered to be a direct appeal cost. Services provided by related entities as defined in HFS Rule 140.537 may not be classified as a real estate tax cost. Indirect costs such as overhead costs cannot be reported as a real estate tax appeal cost. Professional fees may not be reported as a real estate tax cost if no appeal is filed. **A copy of the invoices which details the services provided along with a copy of the appeal that was filed with the county must be submitted with the cost report.** (If the same cost reporting period is used to set rates for more than one rate year, this direct appeal cost will only be used for one rate year.)

Line 6 - This line only applies if the facility receives a refund of a tax bill which was used to calculate a payment rate. If that is the case, the amount to be offset on line 6 is not the entire refund, but a lesser amount which is equal to the full amount of the direct appeal cost reported as a real estate tax cost on this report and prior year's reports plus one-half of the amount the refund exceeds the appeal cost.

For example: Assume a facility receives a refund of $70,000 in 2015 for taxes paid in 1999. Assume that the facility paid $10,000 in legal fees related to the appeal in 2015. The $10,000 legal fee can be reported as a real estate tax cost on line 5 of this schedule (rather than on line 19 of Schedule V). The offset on line 6 of IX-B is equal to the $10,000 on line 5 + ½ ($70,000 refund - $10,000 appeal cost).

Thus, the offset on line 6 is $40,000 rather than the full $70,000 refund. If the same cost reporting period is used to set rates for more than one rate year, this refund will only be offset in one rate year.

This benefit of the offset of less than the full refund is only provided to facilities which report that amount of refund on the cost report in the year in which the refund was received or accrued as a receivable. Any unreported refunds will be offset in full and the reported appeal cost will be reclassified as an administrative cost rather than as a real estate tax cost.

If in the above example, the facility did not receive a refund, then zero would be entered on line 6 and the $10,000 in 2015 legal fee cost would be shown on line 5 and added to lines 3 + 4 to arrive at the total on line 7.

Be sure to also enter the amount of the real estate tax bill for calendar years 2010-2014 on lines 8-12. These amounts must agree with prior years' reports. Lines 13-16 are for the Bureau of Health Finance only.

If the facility is a non-profit (as is indicated on page 1 of the cost report) that either owns the site and building or rents from a related party and also pays real estate taxes, a copy of the real estate tax exemption denial must be attached to the cost report. This exemption denial should be no more than four years old at the time the cost report is filed. Reimbursement for real estate taxes will not be made until a copy of this denial is received. **See page 3 for facilities changing from Non-Profit status to For-Profit status.**

If a facility receives a reduction in their tax bill or becomes tax-exempt, they must notify the Bureau of Health Finance immediately.

Important Notice for Those Facilities Receiving a Calendar 2014 Real Estate Tax Bill

Copies of the original tax bills should be provided. Printed copies from the Internet are not accepted.

Located on page 10a of the cost report is the "2014 Long-Term Care Real Estate Tax Statement". The real estate tax statement has been included in the cost report. A separate notice requesting the submittal of this statement and your calendar 2014 tax bill will not be sent. Please complete the "2014 Long-Term

Care Real Estate Tax Statement" and send it to our office along with copies of the 2014 real estate tax bills at the same time you submit the fiscal 2015 cost report.

If the "2014 Long-Term Care Real Estate Tax Statement" and corresponding tax bills are not included with the 2015 cost report, the Medicaid rate will not include a component for real estate taxes.

Page 11:

X. Building and General Information.

A. Enter the square footage amount used for long-term care purposes (i.e., the sq. ft. of all buildings listed in Schedule XI-B or XII-A). This should include outbuildings related to long-term care.

B. Indicate the general construction type. Specific attention should be given to the basic material, the type of frame and the fireproof status of the building.

C. If the operating entity (i.e., the entity reporting on this form) owns the facility plant site, it must complete Schedule XI. If the operating entity is renting the plant and site from a related organization, it must also complete Schedule XI. No reimbursement will be made on rent paid to a related organization. All information must be present so that the situation where an operating entity rents from a related organization can be treated identically to the situation where the operating entity owns the facility outright. Rent expense paid to a totally unrelated party in an arm's-length transaction should be recorded on Sch. XII.

If the operating entity is renting from a related company, the information itemized in Schedule XI should also be summarized on Schedule VII - Related Organization -- see page 6 of the cost report and the appropriate adjustments entered on Schedule VI --Adjustment Detail--page 5 of the cost report. (See the instructions relating to Schedule VII.) The related corporation must also itemize any interest expenses claimed on Schedule IX-A, Interest Expense.

D. This question refers to ownership versus rental of movable equipment. The same principles govern here as above: Only arm's-length rental should be reported on Schedule XII. Rentals from related organizations should be treated as owned.

E. List all other business entities owned by this operating entity or related to this operating entity that are located on or adjacent to the nursing home's grounds (such as, but not limited to, apartments, assisted living facilities, day training facilities, day care, independent living facilities, CNA training facilities, etc). Ensure that the expenses related to these non-long-term care entities are adjusted out of the cost report. Also, ensure that all site, building and improvement costs for the non-long-term care entities are reported on Schedule XI-F.

F. If this report includes any organization or pre-operating costs, they should be reported here. Organization and pre-operating expenses must not be included anywhere in Schedule XI, even if they appear on the facility's depreciation schedule.

For further discussion of organization and pre-operating costs, see the instructions relating to Schedule V, line 31.

Pages 11 and 12:

XI. Ownership Costs.

Schedules XI-A, B, C, D, E and G must only reflect those assets used 100% for long-term care purposes. Assets not related to long-term care must be recorded in XI-F. If a portion of an asset is not used for long-term care, then an applicable percentage of the asset cost, depreciation expense and accumulated depreciation must be reclassified to XI-F.

For LTC facilities located on or adjacent to a continuum of care campus, include the location of the land and building improvements in the "Improvement Type" column.

A. **Land:** The approximate square footage amount of land, the use, the year acquired, and the cost of the land on which the facility is located should be included here.

B. **Building and Improvement Costs-Including Fixed Equipment:**
Please enter the cost of the Building(s) along with the year acquired and year constructed on lines 4 through 8. Lines 4 through 8 of this schedule should include information on all long-term care-related buildings and additions. **Building additions must be itemized separately by calendar year of acquisition.** The cost of the buildings should include fixed equipment costs in place at the time of purchase or addition (e.g., boilers, central air, plumbing, elevators, handrails, drinking fountains, sprinkler systems, smoke detectors, *etc.*). It must not include kitchen or laundry equipment costs or any furniture.

Adjustments in basis are not allowable for the purchase of a partnership interest, for purchase of capital stock or due to other transfers of assets among related parties. The basis of the building and equipment may not be increased by retroactively capitalizing costs which were previously expensed on the books of the provider.

Lines 9 through 69 are for land and building improvements which are being depreciated with lives of two years or longer. Single items of fixed equipment purchased at a cost of **$2,500** or more with an estimated useful life of two years or more are to be depreciated. Repairs or improvements costing **$2,500** or more must be itemized. This should include the installation of sprinkler systems, smoke detectors, nurses' call stations, major plumbing or wiring replacement and so forth.

Please specify the type(s) of land or building improvement(s) listed on each line along with the location. Labels such as "various" or "leasehold improvements" or "see attached" or "remodeling" will not suffice. Here are some examples:

> Boiler repairs; roof repairs; installed smoke detectors on 3rd floor; new kitchen tile; installed new walk-in cooler; replaced doors in Wing A; replaced plumbing in Wing B; installed new drapes in entire facility; new carpet for lobby; installed new water heater; repaved west parking lot; remodeled 2nd floor nurses' station; constructed new laundry room and therapy room, *etc.* Bedroom furniture should be classified as movable equipment.

These costs beginning in 2012 through the present should be reported by a specific improvement type on a line-by-line basis. Items from unrelated projects should not be included on the same lines of Schedule XI-B. Separate lines should be used for each project. In addition, if a capital rate has already been established with costs from a given year, these costs should remain on separate lines apart from those costs incurred subsequent to the amounts found allowable during the capital rate setting process.

Although the facility's detailed depreciation schedules may be attached for our review, Schedule XI-B must be completed. If additional room is needed, the cost report Excel file has Pages 12B through 12I available. (In Excel with the cost report file open, click Format-Sheet-Unhide to see the available pages. In Excel 2007, right-click on a worksheet tab and select "Unhide".) Improvements must be itemized by the **calendar** year in which the improvement was constructed and put into use.

Cost reports that do not detail the improvement type for the 2012, 2013, 2014 and 2015 improvements will be considered incomplete and thus, not timely filed.

Depreciation must be based on the historical cost of the asset and must be computed on a straight line basis, starting from the date of completion or installation. If book methods of depreciation are not straight line, the book value must be shown in column 5 and adjusted. **The depreciation lives used on this schedule must be consistent from year to year.**

Enter straight line depreciation for each asset in column 7. The difference of column 7 minus column 5 should be entered in column 8 – "Adjustments". Total adjustments in Sections B, C, and D should be entered on line 84 and must be adjusted out of depreciation expense on Schedule V, line 30, via column 7. Total adjustments should also be listed on Schedule VI, line 9.

The useful life and classification of an asset should be determined using the "Estimated Useful Lives of Depreciable Hospital Assets" published by the American Hospital Association.

Accumulated depreciation should be calculated by adding subsequent years' straight line depreciation expense to the accumulated depreciation that was reported on the previous Medicaid cost report filed with our office.

Also, if the facility rents from an unrelated party, all leasehold improvements made by the lessee, costing **$2,500** or more and with a useful life of two years or more are to be listed on lines 9 through 69. Such improvements are to be depreciated over the useful life of the improvement.

Any items of land, building, fixed equipment, movable equipment or vehicles which are no longer in use or are not providing significant value for inpatient long-term care purposes must be reported as a non-care asset in section XI-F of the cost report. If a vehicle is used partially for personal purposes or purposes other than operation of the nursing home then this portion of the cost is not allowable.

See also the instructions relating to Schedule V, line 6 and Schedule V, line 30.

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C. **Equipment Costs -- Excluding Transportation:** All long-term care-related equipment, excluding fixed equipment and transportation, should be reported here. Remember that single items of equipment purchased at a cost of **$2,500** or more with an estimated useful life of two years or more are to be depreciated. In addition, if items with estimated useful lives of two years or more are acquired in quantity and the cost of the quantity is at least **$2,500**, these items must also be depreciated.

Software and Computer Equipment - If the total cost for software and computer equipment is less than $2,500, the cost should be reported as a supply cost in the department for which it is primarily used. If the total cost for the software and equipment is $2,500 or more, the cost must be capitalized as equipment and depreciated.

In addition, this schedule should be completed if the provider owns any movable equipment, though he rents the building and fixed equipment from an unrelated party.

D. **Vehicle Costs:** Only those vehicles being used exclusively for long-term care should be listed here; the nature of their use should be stated in column 1. All other vehicles should be listed in Schedule XI-F. The facility is responsible to maintain complete records to show that all use was for necessary nursing home business.

Vehicles used to transport residents or non-residents to and from day training facilities must be recorded in XI-F (not in XI-D) because this transportation is reimbursable under the day training program. Accordingly, the applicable portion of insurance, interest, gas, oil and maintenance expense on these non-allowable vehicles must be adjusted out of Schedule V.

The Department of Healthcare and Family Services' rules allow the expense of only one patient care-related automobile to be reported on Schedule V. Therefore, only one such automobile can be detailed here. All other automobiles must be reported in Section F.

If a facility both leases and owns patient care-related automobiles then only one of the patient care-related automobiles which is owned will be allowed. The lease expense on the leased automobile(s) and the depreciation expense on those autos exceeding the one auto limit must be adjusted out. The historical cost of the non-allowable owned autos must be reclassified to XI-F.

In addition, the applicable portion of insurance, interest, gas, oil, and maintenance expense on these non-allowable vehicles must be adjusted out of Schedule V. See the instructions relating to Schedule VI, line 29, "other non-allowable expenses" for further details.

E. **Summary of Care-Related Assets:** This is a summary of all assets previously itemized which relate to patient care. (Do not include the non-care assets found in Section XI-F in these totals.) Total straight line depreciation recorded here must equal depreciation expense on Schedule V, line 30.

F. **Depreciable Non-Care Assets Included in the General Ledger:** All non-long-term care assets which appear on the facility's books whose depreciation expense has been included on Schedule V should be itemized here. All of the information requested by this schedule should be provided. **The portion of the building not used for long-term care must be allocated to this section** instead of being included in Section B. For example: the cost of an unlicensed floor or wing would be allocated to this section. (The total amount from column 3 should be reflected on Schedule VI -- Adjustment Detail -- on page 5, line 15.) Refer to the instructions relating to Schedule V, line 30 for further details regarding depreciation expense. **All assets no longer being used (if not retired) must also be reclassified to this section.**

G. **Construction-in-Progress:** Record the cost of care-related construction-in-progress here.

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XII. Rental Costs.

A. **Building and Fixed Equipment:** This section should be completed only if the facility rents from an unrelated party. The party holding the lease (i.e., the Lessor) must be identified and must not have any ownership interest in the operating entity. The operating entity must then complete Schedule X and Schedule XII and may leave Schedule XI blank (except for any building improvements and fixed equipment owned by the operating entity).

Question 2 is simply to determine if the real estate taxes are included in the amount shown on line 7. If the facility does not pay taxes in addition to the rental amount, the real estate taxes on that facility which are paid by the lessor should be deducted from total rent expense on page 4, line 34, and should be placed on page 4, line 33. Therefore, the total of lines 33 and 34 on page 4 should equal total rent expense on line 7 of this schedule.

Column 3, "**Original Lease Date**," should reflect the initial date of the lease agreement between the lessor and the present lessee. Dates of amended lease agreements between the same two parties should not be entered here.

If the lessee should make leasehold improvements, such improvements must be listed on lines 9 through 69 of Schedule XI-B.

Any amortization of lease expense must be detailed in item #8. The amortization of lease expense found here, plus total lease expense on line 7, column 4, must agree with total rental expense on Schedule V, line 34.

If the provider has an option to purchase the facility, provide complete details on an attached schedule.

Provide the beginning and ending effective dates of the current lease agreement on the lines shown in question #10 and the required rental expense for the next three years on lines 12 through 14.

Any lease which falls within guidelines issued by the American Institute of Certified Public Accountants, to be considered as a lease/purchase, must be capitalized and recorded on Schedule XI.

B. **Equipment Rental -- Excluding Transportation and Fixed Equipment.** The facility should enter the total rental expense incurred during the reporting period for movable equipment, which was paid to an unrelated party. (Rent paid to related organizations should not be included here, but the information concerning such equipment should be entered in Schedule XI-C.) Information for any vehicle rental or

leasing should not be included in this line, but should be included in Part C of this Schedule.

Attach a schedule detailing the breakdown of equipment rental.

C. **Vehicle Rental:** All rental or leasing of vehicles from unrelated parties should be itemized here. Only vehicles used exclusively for patient-related activities are to be included. Also, according to the Department of Healthcare and Family Services rules, only the expense of one patient care-related automobile is allowed on Schedule V. See the instructions relating to Schedule XI-D for further details. Any transportation expense which is not directly related to the operation of the facility, but included on the books, should be reported on Schedule VI -- Adjustment Detail -- page 5, line 16, and adjusted out of Schedule V.

Rental expense for vehicles used to transport residents or non-residents to and from day training facilities is not allowable because this transportation is reimbursable under the day training program. Accordingly, this rental expense and the applicable portion of insurance, gas, oil and maintenance expense on these non-allowable vehicles must be adjusted out of Schedule V.

Total allowable rental expense for movable equipment and vehicles must agree with total rental expense found on Schedule V, line 35.

If the facility owns any fixed or movable equipment or any vehicles, the appropriate sections of Schedule XI must be completed. The same is true if the facility rents such assets from a related party.

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XIII. Expenses Relating to Certified Nurse Aide Training Programs.

A. **Type of Training Program**

Check the appropriate boxes concerning the location in which CNAs were trained. Also, list the number of hours trained (per CNA) in both the classroom and the clinical portion.

If the CNAs were trained in another facility or in a community college, list the facility or college name, address and cost paid per aide on a separate schedule. The total contractual payments made to a community college that provided the required classroom training should be listed on line 1, column 4 of this schedule. The total contractual payments made to other nursing homes which provided your CNAs with the required classroom and/or clinical training should be listed on line 7, column 4.

If there were no CNAs from your facility who received the CNA training course during this reporting period, attach an explanation as to why this training was not necessary.

B. **Expenses**

Schedule B should contain expenses only.

Column 1 should contain the expenses which were incurred for CNAs from your facility only that did not complete the required 120 hour CNA training course.

Column 2 should contain the expenses which were incurred for CNAs from your facility that did complete the required CNA training course. (Note: Completion would require that both the classroom and clinical training had been received.) Costs relating to CNA training in process at the end of this reporting period should be included in column 2.

Column 3 should contain the expenses which were incurred by your facility for the training of CNAs from other facilities.

Line 1 - Community College Tuition - Enter the community college tuition expense incurred for dropouts (column 1), tuition for CNAs completing the training (column 2) and tuition for CNAs from other facilities (column 3).

Line 2 - Books and Supplies - Enter books and supplies expense incurred by the facility (under each applicable category).

Line 3 - Classroom Wages - Enter wages paid to CNAs (from your facility only) during the classroom portion of the training. Do not include fringe benefits. Fringe benefits should be recorded on Schedule V, line 22.

Line 4 - Clinical Wages - Enter wages paid to CNAs (from your facility only) during the clinical portion of the training (even if the CNAs received their clinical training in-house). Do not include fringe benefits. Fringe benefits should be recorded on Schedule V, line 22. Do not include wages paid for clinical training on line 10 of Schedule V. Wages for clinical training must be included on line 13 of Schedule V.

Line 5 - In-House Trainer Wages - Allocate the in-house trainer's wages to the three categories on the basis of hours provided to each category. Do not include fringe benefits. Fringe benefits should be recorded on Schedule V, line 22.

Line 6 - Transportation - Include transportation expense incurred for your CNAs from your facility to attend either classroom or clinical training sessions at either a community college or another facility.

Line 7 - Contractual Payments - Enter contractual payments made to other facilities for the purpose of providing classroom or clinical training to your CNAs.

Line 8 - CNA Competency Tests - Enter the expense of CNA competency tests here. If the testing service also performed the healthcare worker background check, the combined fee for the testing service and the background check should be entered on this line.

The total CNA training expense on line 9, column 4 must agree with Schedule V, line 13, column 4. Then all training expenses incurred for CNAs from other facilities (Schedule XIII, line 9, column 3) must be adjusted out of Schedule V, line 13, via column 7. As a result, the total amount of Drop-Out and Completed Costs for your own CNAs from Schedule XIII, line 10, column 1, will agree with the total CNA Training Expense on Schedule V, line 13, column 8. See also the instructions relating to Schedule V, line 13.

C. **Contractual Income**

Record the total amount of income earned from training CNAs of other facilities during this reporting period.

D. **Number of CNAs Trained**

Enter the total number of aides your facility trained during this period. This total should be allocated between CNAs who completed the course and aides who dropped out. Further designate whether these aides were from your facility or another facility.

Attach a schedule of the names and addresses of those facilities for which you trained aides during this period.

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XIV. Special Services (Direct Costs).

This schedule requires that the facility itemize whatever of the listed services are offered in the facility by licensed practitioners. Again, **this schedule must not include consultants or unlicensed practitioners,** such as CNAs who help with activities listed on this page.

Column 1 of this schedule requests the line reference number on which the cost for the service has been entered. This should refer to the line number for column 8 of Schedule V. (In other words, the line on which the expense has been recorded after all reclassifications.) Columns 2 & 4 request the units of service offered. These may be expressed in patient contact hours, number of visits, or number of prescriptions. (A contact hour is recorded for each hour a practitioner was in contact with patients and actually provided services.) Columns 3 & 5 request reporting on the cost of the units reported in columns 2 & 4. Any supplies for these special services should be entered in column 6, and the total cost -- a summation of columns 3, 5, and 6 -- should be entered in column 8.

Examples of other items which must be listed on this schedule are ostomy supplies, the cost of oxygen if usage equals or exceeds one full tank per resident per month, prescription drugs, the percent of the Medical Director's salary which is spent on direct patient care and other costs which are directly reimbursed by HFS.

Routine therapy costs for licensed therapists on staff (other than consultants) should be detailed in columns 2 & 3 of this Schedule and should be classified on Schedule V, line 10a, column 1. Therapy costs billed to the Department separate from the daily rate or reimbursed separately by Medicare should be reported on lines 12 and 13 of this schedule. The total cost in column 8 for lines 5-13 of this Schedule should agree with the total ancillary cost on Schedule V, line 39, column 8.

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XV. Balance Sheet.

Complete the balance sheet for the last day of the reporting year for assets determined to be unrestricted by generally accepted accounting principles. All entries should reflect historical cost with the exception of donated assets. Donated assets should be valued at market value at the time of donation. An additional page should be attached explaining and documenting the determination of market value of donated assets.

This schedule must be completed. A financial statement or another format cannot be substituted for this schedule.

A separate balance sheet must be completed for each licensed nursing home. A balance sheet with more than one operating entity included will not be acceptable in meeting the requirement for completion of column 1 of this schedule.

If Schedule VII -- Related Parties -- contains entries showing transactions with an organization with 50% or more overlapping ownership, it is also necessary to show a consolidated balance sheet which is the sum of assets and liabilities of the operating corporation and of those organizations with 50% or more overlapping ownership.

The individual lines should be completed as follows:

A. Current Assets

1. **Cash on Hand and in Banks:** Cash on hand, savings and checking accounts, and petty cash. Any cash immediately available for operations should be included in this item.

2. **Cash -- Patient Deposits:** Any funds for use by the patients. Such funds may represent deposits from families or friends as well as from residents.

3. **Accounts and Short-Term Notes Receivable -- Patients** (minus allowance for doubtful accounts): Includes accounts and short-term notes receivable (within the next 12 months) from all payers, including accrued interest receivable and retroactive settlements. Receivables from owners or related parties must be entered on line 8.

4. **Supply Inventory:** Drug, nursing, food, gift shop, housekeeping and linen supplies which are on hand at the end of the year. Indicate the method of inventory valuation.

5. **Short-Term Investments:** Includes temporary (will be converted to cash within one year) investments such as certificates of deposit, government securities, and marketable securities. The investment income from such non-restricted investments must be offset against interest expense on Schedule V.

6. **Prepaid Insurance:** Enter the unexpired portion of insurance at the end of the reporting year.

7. **Other Prepaid Expenses:** Includes the unexpired portions of taxes, interest, rent, licenses and fees, *etc.*, at the end of the reporting year.

8. **Accounts Receivable from Owners and Related Parties:** See the instructions relating to Schedule V, line 32. The imputed value of interest income on loans receivable from officers, related parties or employees must be offset against interest expense on Schedule V.

9. **Other:** Specify the account name.

10. **Total Current Assets:** Sum of lines 1 through 9.

B. Long-Term Assets:

11. **Long-Term Notes Receivable:** Notes receivable for all payers and sources with due dates exceeding 12 months from the end of the reporting year.

12. **Long-Term Investments:** Certificates of deposit, government securities and marketable securities expected to be held for over a 12 month period.

13.-17. **Property, Plant and Equipment:** Include all land, building, *etc.* at historical cost. Donated assets should be included at market value at the date of donation. These amounts (other than accumulated depreciation) must agree with Schedule XI.

18. **Deferred Charges:** Includes deposits such as with the utility company; amounts held in escrow by a mortgage company; and unamortized goodwill. Amortization of goodwill should not be included in column 8 of Schedule V. Any expense for goodwill amortization should be adjusted out using line 35, Schedule VI.

19. **Organization and Pre-Operating Costs:** Include the cost of organizing the business enterprise prior to operation and pre-operating costs from the time of organization until the time of the first admission. This should agree with Schedule X-F.

20. **Accumulated Amortization -- Organization and Pre-Operating Costs:** List the accumulated amortization of organization and pre-operating costs through the current reporting year.

21. **Restricted Funds:** Enter the values for assets determined to be restricted according to generally accepted accounting principles.

22.-23. **Other Long-Term Assets:** Specify the account names and enter the amount.

24. **Total Long-Term Assets:** Enter the sum of lines 11 thru 23.

25. **Total Assets:** Enter the sum of lines 10 and 24.

C. Current Liabilities:

26. **Accounts Payable:** Includes trade accounts, advance billings, and retroactive settlements.

27. **Officer's Accounts Payable:** Include all accounts payable by officers.

28. **Accounts Payable Patient Deposits:** Any amount due to patients from funds deposited with the facility for the patients' personal use.

29. **Short-Term Notes Payable:** Notes, mortgage payments and bonds payable within the next 12 months.

30. **Accrued Salaries, Wages, Fees Payable:** Includes liabilities incurred but not paid, such as salaries, wages, vacation, sick pay and union dues.

31. **Accrued Taxes Payable:** Federal, state and FICA tax withheld; unemployment taxes; disabilities insurance and employer's share of FICA tax. Do not include real estate taxes and income taxes.

32. **Accrued Real Estate Taxes:** Enter accrued real estate taxes payable. This must agree with Schedule IX-B, page 10.

33. **Accrued Interest Payable:** All interest incurred but not paid on notes and mortgages payable.

34. **Deferred Compensation:** Accrued pension, profit-sharing and bonuses incurred and payable in the next 12 months.

35. **Federal and State Income Taxes:** Income taxes due on the reporting year's income, plus unpaid taxes on prior years' income. Include the personal property replacement tax payable on this line.

36.-37. **Other Current Liabilities:** Specify the account name and enter the amount.

38. **Total Current Liabilities:** Enter the sum of lines 26 thru 37.

D. Long-Term Liabilities:

39. **Long-Term Notes Payable:** Notes with maturities exceeding 12 months.

40. **Mortgage Payable:** Enter the long-term mortgage liability (not due within 12 months). The mortgage liability for the immediate next 12 months should be included in short-term notes payable.

41. **Bonds Payable:** All bond liability due after 12 months should be listed. Bonds becoming due in the next 12 months should be listed in short-term notes payable.

42. **Deferred Compensation:** Accrued pension, profit sharing and bonuses payable after one year.

43.-44. **Other Long-Term Liabilities:** Enter the account name and amount.

45. **Total Long-Term Liabilities:** Enter the sum of lines 39 through 44.

46. **Total Liabilities:** Enter the sum of lines 38 and 45.

47. **Total Equity:** List total capital of all owners, capital stock outstanding, paid-in capital in excess of par, treasury stock, and retained earnings. The detail of these accounts will be included in the Statement of Changes in Equity, Schedule XVI. Total equity on this line must agree with total equity on page 18, line 24.

48. **Total Liabilities and Equity:** Enter the sum of lines 46 and 47. Line 48 must agree with line 25 (Total Assets).

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XVI. Statement of Changes In Equity -- Restricted and Unrestricted Funds.

Enter on line 1, the balance of the equity account at the end of the previous year. On lines 2 through 5 enter restatements of prior year balances and describe those restatements in the area provided or on an attached sheet. Enter the balance of the current year on line 6. Additions or deductions from equity are to be entered on lines 7 through 16. Any entries in the beginning equity must be explained completely with a schedule attached if necessary.

Enter the total of additions and deductions on line 17. Transfers between funds are to be entered on lines 18 through 22, and the total of these transfers is to be entered on line 23. Total lines 6, 17 and 23, and enter the balance at the end of the year on line 24. The total equity balance on line 24 must agree with total equity found on line 47 of Schedule XV.

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XVII. Income Statement.

Complete this schedule detailing the gross revenues and expenses of the Operating Entity for the reporting period. **(Do not net revenue against expense.)** Schedule XVII must be completed. Financial statements on another format cannot be substituted for this schedule.

Detail of Inpatient Care Revenue by Payer Source
A new section has been added to page 19 of the cost report. This new section requires the "Inpatient Care Revenue" reported on line 3 of this page to be detailed by payer source. The total amount reported in the new section should agree with the amount reported on line 3.

Other Operating Revenue
Include all revenue received from the Department of Healthcare and Family Services for CNA training on line 11. Do not offset this revenue against CNA training expense on Schedule V, line 13. Any income received by the facility for residents' education must be entered on line 9. The actual expense for residents' education must be classified on line 43 of Schedule V. All income/grants from government agencies, such as HUD income, must be recorded on line 10.

The expense related to renting out a portion of the facility is not allowable. This would include rental of quarters to employees or others who are not inpatients (i.e., renting space to a pharmacy). If facility space has been rented out, adjustments to the following cost centers should be made as is applicable: utilities, maintenance, insurance, building and improvement cost, depreciation, interest and real estate taxes.

Non-Operating Revenue
All interest and investment income on unrestricted funds (line 25), must be offset against interest expense on Schedule V, line 32. See definition of "unrestricted" in the instructions relating to Schedule V, line 32. If the total amount of interest and investment income has not been offset, attach a separate schedule indicating the amount of restricted funds vs. unrestricted funds and the amount of income earned on restricted funds vs. the amount of income earned on unrestricted funds.

Revenue Offsets
Offset all corresponding revenue against the applicable expense on Schedule V. However, please note that revenue derived from private pay residents for services required to be rendered to Medicaid residents under the provider agreement need not be offset. For example, income derived from private-pay patients for laundry services need not be offset, while income from private pay patients for alcoholic beverages must be offset.

Other Revenue
Any items not logically fitting into the given categories should be entered and identified under "Other." **Items listed under "Other Revenue" must be fully explained and detailed on an attached schedule. Also indicate whether such "Other Revenue" has been offset against the appropriate expense on Schedule V.**

Income/settlements such as, but not limited to those received from insurance companies or as the result of legal action must be recorded on line 27 and must be offset against the applicable expense category on Schedule V (even if the associated expenses were incurred in prior years).

Total expenses on line 40 must agree with total expenses on Schedule V, line 45, column 4. Federal and state income taxes must be reported on the accrual basis.

Be sure to answer the question regarding the agreement of income with your Federal Income Tax return. If the income does not agree, be sure to provide a reconciliation along with a detailed explanation.

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XVIII. Staffing and Salary Costs.

This schedule requires information on staffing and salary patterns. The nursing wages from this schedule will be used in determining the average wage rate for each geographic grouping. Incomplete or inaccurate data will prevent a facility's report from being used for this purpose.

This schedule must be completed and must cover the entire reporting period. A sample period will not be allowable.

A. **Staffing and Salary Costs:** A complete breakdown of staffing and salaries must be provided. For instance, classifying all nurses' salaries on one line would be improper and the facility's report would not be considered complete.

Column 1 should indicate the number of hours actually worked. It would exclude time charged to sick leave, vacation, *etc.*

Column 2 should include the number of hours actually worked plus leave and vacation time for which employees were compensated. Remember that this schedule must be completed on the accrual basis.

For any home that pays sick leave, vacation, *etc.*, column 1 will not equal column 2. If column 1 does equal column 2, include a detailed explanation as to why this is correct.

Column 3 should include only gross salaries -- that is salaries including vacation, sick pay, and any employee authorized deduction. It must exclude other employee benefits paid for by the employer such as payroll taxes, pensions, insurance or uniform allowances. Column 4 should be obtained by dividing column 3 by column 2.

Total wages indicated on this schedule must agree to column 1 of the appropriate functional area on Schedule V. The exception to this rule is in the area of non-care salaries. **Non-care related salaries must be adjusted out of Schedule V and correspondingly must not be entered on Schedule XVIII.**

Line 8 - This line collects information on the hours and wages paid to rehab/therapy aides.

Lines 28-30 only apply to homes serving developmentally disabled residents.

Lines 32 and 33 - Other health care wages that do not fit into the categories noted on this schedule should be listed on line 32. Other general service or general administration wages should be listed on line 33. If wages are listed on these lines, a detailed schedule must be attached which supplies the same information as is requested in columns 1-4 of this schedule.

B. **Consultant Services:** Consultant hours and cost paid and accrued for all consultants with whom you had arrangements in your reporting year must be provided. The report for consultant services must be based upon the entire reporting period. This

section is important in determining reimbursement. Make sure it is completed correctly. Be sure to include consultant fees in column 3 of Schedule V under the correct cost center classification. Enter the Schedule V line to which this cost was classified in column 3 of this schedule.

C. **Contract Nurses:** If the facility contracts with outside nurses (i.e., non-employees) to provide nursing services, detail the number of hours paid and accrued in column 1. Total contract wages paid should be included in column 2 and should also be reported in column 3 of line 10 of Schedule V. Do not include such wages in column 1 of Schedule V.

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XIX. Support Schedules.

This form is used to provide support schedules for costs claimed on other schedules of this report. Sections A, B and C are to provide support for administrative and professional service costs reported on Sch. V. Section D is to be used to provide a breakdown of employee benefits found on Sch. V, line 22 and Section E is to be used to list any non-cash compensation. Section F is used to support costs reported on Schedule V, line 20, Dues, Fees, etc. Section G should detail "Travel and Seminar" expenses found on line 24 of Sch V.

Section A - Make sure each licensed administrator is listed separately. Please provide the name, function, ownership percentage and salary amount for each individual in this section. Only providing a lump sum is not acceptable.

Section C – These expenses must be detailed by vendor/payee, type of service and amount. **Expenses that are not properly detailed will be adjusted out.** FOR LEGAL FEES - A detailed schedule must be provided which lists, the legal invoice date, law firm name, allowable amount, non-allowable amount and description of services. **Copies of invoices are NOT required with the filed cost report**. Invoices for fees totaling $25,000 or more must be retained by the facility for a minimum of 5 years in case of an HFS audit. The retained legal invoices must provide a complete description of the services rendered. Costs not properly supported will be disallowed. See the instructions relating to Schedule V, line 19 for legal fees that are not allowable. If more space is needed for Section C, include a supplemental schedule in the Excel file on one of the extra worksheets and print a copy of this schedule for the paper copy filing.

If Schedule V, line 19 contains any architect or appraisal fees, you must also attach copies of these invoices to the cost report. **All invoices for professional fees must include a complete description of the service(s) provided, the date of service, basis of fee charged and the amount of each service.**

Section D - County facilities that record an amount for IMRF **must attach a copy of their IMRF rate notifications** which apply to this cost reporting period.

Section E - All non-cash compensation received by owners or employees should be reported on the same line on Schedule V as their salary is located. All non-cash compensation received by owners and their relatives must also be listed on Schedule VII-C.

Section F - See the instructions relating to Schedule V, line 20 for a description of allowable and non-allowable expenses.

Record the cost associated with healthcare worker background checks for this reporting period. Be sure to indicate the number of checks performed.

If the background check was performed by the testing service that also administered the CNA competency test, then the cost of the competency test and the background check have been paid as a lump sum to the testing service and must be recorded on Schedule XIII, line 8 -- **not** on Schedule XIX-F.

Section G - See the instructions relating to Schedule V, line 24 for a description of allowable and non-allowable expenses. Note that a detailed schedule of costs reported on line 24 of Schedule V must be supplied.

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XIX-H. Support Schedule - Deferred Maintenance Costs.

For cost reports with a 2006 year end or later, it is no longer necessary to set up costs as deferred maintenance. Please refer to the instructions relating to Schedule V, line 6 for the proper handling of repair and maintenance expenses.

This schedule should be used to record the deferred maintenance expenses your facility set up in previous years.

Indicate the type of improvement made in column 1. Enter the month and year in which the improvement was made in column 2. The total cost of the improvement should be reflected in column 3 and the useful life of the improvement in column 4. Be sure to list each improvement separately.

Columns 5 thru 13 are used to reflect the amount of expense amortized each fiscal year.

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XX. General Information.

This schedule contains questions regarding several miscellaneous areas. Be sure to complete this schedule as the cost report will not be considered complete until all questions are properly answered.

Note: Please review the cost report carefully before it is signed and forwarded to the Department of Healthcare and Family Services. Further, you should make sure that any adjustments from the field audit or desk audit process on previous years' cost reports are reflected in reporting on the 2015 cost report. An accurate cost report is necessary in calculating the proper prospective reimbursement rate.