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Medicare Home Office Cost Report Update

2023 Health Financial Systems User Conference

August 11, 2023

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Learning Objectives



Home Office Cost Report 101 – What is it?



Changes effective 10/1/2022



Tips and Tricks



Q&A



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The slide features a teal background. In the top left corner is the CLA logo. The main title 'Home Office Cost Report 101' is positioned on the left side. On the right side, there is a high-quality photograph of a light blue bicycle with a brown saddle and tires. At the bottom left, there is a small copyright notice. At the bottom right, the number '4' is displayed.

Home Office Cost Report 101

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What is a Home Office?

For Medicare and/or Medicaid purposes, CMS defines a home office as an entity that provides centralized management and administrative services to the individual members of a chain organization and a chain organization as an entity that consists of a group of two or more Medicare-certified providers (providers) or at least one provider and any other non-provider business or entity owned, leased, or through any other device, under common ownership or control.



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Home Office Basics

- Medicare Administrative Contractors (MACs) issue a home office number, not CMS
- Home office cost reports are due 150 days after year end, similar to other providers
- Providers claiming home office costs **must** provide the home office cost report as support for allowable costs at cost report filing
- The home office can include regional offices and divisions



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Changes Effective with Cost Report Periods Beginning October 1, 2022



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What's New?

- New form: CMS-287-22
- New regulation: CMS Pub. 15-2, Chapter 48
- Effective for cost report periods beginning on or after 10/1/2022
- New structure to better align with other form sets



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What's New?

- New electronic filing requirement
 - ECR and PI file required
 - Must file via MCR eF or on a CD or flash drive
 - Electronic signature is now an option

PART 5 - CERTIFICATION		
<p>REPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS COST REPORT MAY BE PUNISHABLE BY FEDERAL, CIVIL AND ADMINISTRATIVE ACTION, FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW. FURTHERMORE, IF SERVICES IDENTIFIED IN THIS REPORT WERE PROVIDED OR PROCURED THROUGH THE PAYMENT DIRECTLY OR INDIRECTLY OF A SOURCE OR WERE OTHERWISE ILLEGAL, FEDERAL, CIVIL AND ADMINISTRATIVE ACTION, FINES AND/OR IMPRISONMENT MAY RESULT.</p>		
<p>I HEREBY CERTIFY THAT I HAVE READ THE ABOVE CERTIFICATION STATEMENT AND THAT I HAVE EXAMINED THE ACCOUNTING ELECTRONICALLY FILED OR MANUALLY SUBMITTED COST REPORT AND THE BALANCE SHEET AND STATEMENT OF REVENUE AND EXPENSES PREPARED BY _____ (HOME OFFICE NAME AND HOME OFFICE NUMBER) FOR THE COST REPORTING PERIOD BEGINNING _____ AND ENDING _____ AND THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF THIS REPORT AND STATEMENT ARE TRUE, CORRECT, COMPLETE AND PREPARED FROM THE BOOKS AND RECORDS OF THE HOME OFFICE IN ACCORDANCE WITH APPLICABLE INSTRUCTIONS, EXCEPT AS NOTED. I FURTHER CERTIFY THAT I AM FAMILIAR WITH THE LAWS AND REGULATIONS REGARDING THE PROVISION OF HEALTH CARE SERVICES AND THAT THE SERVICES IDENTIFIED IN THIS COST REPORT WERE PROVIDED IN COMPLIANCE WITH SUCH LAW AND REGULATIONS.</p>		
SIGNATURE OF CHIEF FINANCIAL OFFICER OR ADMINISTRATOR	CHECKBOX	ELECTRONIC SIGNATURE STATEMENT
1	2	1
2		2
3		3
4		4



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New Structure

Form CMS-297-05	Form CMS-287-22	Summary of Changes
Schedule A, Part I & Part II	Schedule S, Parts I & II	Designated Part I as Cost Statement Status and added data elements identifying the status; added the electronic signature statement to the Part II Certification.
Schedule A, Part I	Schedule S-1, Parts I & II	Designated Part I as Home Office Data to capture identification information applicable to the home office/chain organization (HO/CO); designated key officer data as Part II.
Schedule A, Parts III, IV, & V	Schedule S-2, Parts I, II & III	Designated Parts I, II, and III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, to list the components of the HO/CO.
Schedule B	Schedule A	Designated Schedule A as the updated Reclassification and Adjustment of Trial Balance of Expenses.
Schedule B-1	Schedule A-6	Designated Schedule A-6 as the updated Reclassifications of Expenses.
Schedule B-2, Parts I, II, & III	Schedule A-7, Parts I & II	Designated Part I as Analysis of Changes in Capital Asset Balances; designated Part II as Reconciliation of Capital Cost Centers.



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New Structure (Cont.)

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
Schedule C	Schedule A-8	Designated Schedule A-8 as the updated Adjustments to Expenses.
Schedule D, Parts B & C	Schedule A-8-1, Parts I & II	Designated Part I as Adjustments Required as a Result of Transactions with Related Organizations and/or Home Office/Chain Organizations; Designated Part II as Interrelationship of Home Office/Chain Organization to Related Organizations.
Schedule E	Schedule B, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for direct allocations of capital related costs.
Schedule E-1	Schedule B-1, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for direct allocations of non-capital related costs.
Schedule F, Part I	Schedule C, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for function allocations of capital related costs.



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New Structure (Cont.)

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
Schedule F, Part II	Schedule C-1, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for statistics to functionally allocate capital related costs.
Schedule F-1, Part I	Schedule D, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for function allocations of non-capital related costs.
Schedule F-1, Part II	Schedule D-1, Parts I, II, & III	Designated Parts I, II, & III as Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively, for statistics to functionally allocate non-capital related costs.
Schedule G, Part I	Schedule E	Designated Schedule E for the allocation of pooled costs for the double allocation method.
Schedule G, Part II	Schedule E-1, Parts I, II, & III	Designated Parts I, II, & III for the allocation of pooled costs to Healthcare Components, Non-Healthcare Components, and Region/Division Components, respectively.



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New Structure (Cont.)

<u>Form CMS-297-05</u>	<u>Form CMS-287-22</u>	<u>Summary of Changes</u>
	Schedule F, Parts I, II, & III	Added the Schedule F, Parts I, II, and III, to summarize capital related costs by healthcare components, non-healthcare components, and region/division components, respectively.
	Schedule F-1, Parts I, II, & III	Added the Schedule F-1, Parts I, II, and III, to summarize non-capital related costs by healthcare components, non-healthcare components, and region/division components, respectively.
Schedule J	Schedule G	Designated Schedule G as the updated Balance Sheet.
Schedule I	Schedule G-1	Designated Schedule G-1 as the updated Statement of Revenues and Expenses.



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Tips and Tricks for Home Office Cost Report Preparation



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Home Office Expenses

- Allowable expenses follow cost report rules
 - Expenses must be related to patient care
- Types of expenses recorded on the cost report depend on the structure of the home office/corporate entity
- Report expenses on Schedule A
 - Recommend using subscripted lines
 - Identify departmental expenses
 - More appropriately align with the cost allocation methodology



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Schedule A: Home Office Expenses

4895 (CONT.) FORM CMS-287-22 04-23

RECLASSIFICATION AND ADJUSTMENT OF TRIAL BALANCE OF EXPENSES

DESCRIPTION	EXPENSES PER HOME OFFICE BOOKS	RECLASSIFICATIONS	RECLASSIFIED TRIAL BALANCE	ADJUSTMENTS	NET ALLOWABLE EXPENSES	DIRECT ALLOCATIONS TO COMPONENTS	FUNCTIONAL ALLOCATIONS TO COMPONENTS	POOLED ALLOCATIONS
	1	2	3	4	5	6	7	8
CAPITAL RELATED COST CENTERS								
1 CRC-BEP								1
2 CRC-SEP								2
3 Subtotal CRC								3
OTHER CAPITAL RELATED COST CENTERS								
4 Interest Payments - Other CRC								4
5 Taxes & Licenses - Other CRC								5
6 All Other Capital Related Cost								6
7 Subtotal Other CRC								7
NON-CAPITAL COST CENTERS								
8 Salaries of Officers								8
9 Salaries & Wages of Others								9
10 Payroll Taxes								10
11 Employee Benefits - Payroll Related								11
12 Employee Benefits - Non-Pay Related								12
13 Profit Sharing/Pension Plans								13
14 Legal Fees								14
15 Auditing and Accounting Fees								15
16 Utilities								16
17 Communications								17
18 Travel & Entertainment								18
19 Transportation								19
20 Cleaning, Office & Admin Supplies								20
21 Patient Equipment								21
22 Repairs & Maintenance								22
23 Dues & Subscriptions								23
24 Contributions								24
25 Insurance Premiums - Non-Capital								25
26 Taxes & Licenses - Non-Capital								26
27 Interest Expense								27
28 Interest Income								28
29								29
30								30
99 Subtotal Non-capital Cost								99
100 Total								100



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Home Office Expenses

- Tip: Use home office grid to identify home office expenses and determine the best method of allocating allowable expenses

Dept	Dept Name	Home Office Expenses	Statistic Used	Hospital #1 (Owned)	Hospital #2 (Owned)	Hospital #3 (Owned)	Hospital #4 (Managed)	Hospital #5 (Managed)	Foundation
1	Administration	10,000,000		X	X	X	X	X	X
2	Payroll	2,000,000		X	X	X			X
3	Revenue Cycle	5,000,000		X	X	X			
4	Finance	3,000,000		X	X	X	X	X	X
5	IT	6,000,000		X	X	X			X
6	Human Resources	2,000,000		X	X	X			X
7	Purchasing	4,000,000		X	X	X			
8	Advertising	1,000,000		X	X	X			
		33,000,000							



Home Office Expenses

- Tip: Use space grid to identify the location of department to ensure cost is on the home office cost report and allocated most appropriately

Dept	Dept Name	Location	Home Office Capital Line & Statistic	Hospital #1 (Owned)	Hospital #2 (Owned)	Hospital #3 (Owned)	Hospital #4 (Managed)	Hospital #5 (Managed)	Foundation
1	Administration	Hospital #1		X	X	X	X	X	X
2	Payroll	Corp Building A		X	X	X			X
3	Revenue Cycle	Corp Building B		X	X	X			
4	Finance	Hospital #1		X	X	X	X	X	X
5	IT	Corp Building A		X	X	X			X
6	Human Resources	Corp Building A		X	X	X			X
7	Purchasing	Corp Building B		X	X	X			
8	Advertising	Corp Building B		X	X	X			



Schedule A: Home Office Expenses

	DESCRIPTION	EXPENSES PER HOME OFFICE BOOKS
		1.00
CAPITAL RELATED COST CENTERS		
1.00	CRC-B&F	2,000,000
1.01	CRC-B&F: BUILDING B	500,000
1.02	CRC-B&F: BUILDING C	200,000
1.03	CRC-B&F: HOSPITAL BUILDING	50,000
2.00	CRC-ME	500,000
3.00	SUBTOTAL CRC	3,250,000
OTHER CAPITAL RELATED COST CENTERS		
4.00	INSURANCE PREMIUMS-OTHER CRC	0
5.00	TAXES & LICENSES-OTHER CRC	0
6.00	ALL OTHER CAPITAL RELATED COSTS	0
7.00	SUBTOTAL OTHER CRC	0
NON-CAPITAL COST CENTERS		
8.00	SALARIES OF OFFICERS	20,000,000
9.00	SALARIES AND WAGES OF OTHERS	0
9.01	SALARIES - PAYROLL	1,000,000
9.02	SALARIES - REVENUE CYCLE	5,000,000
9.03	SALARIES - FINANCE	3,000,000
9.04	SALARIES - IT	7,000,000
9.05	SALARIES - HUMAN RESOURCES	2,000,000
9.06	SALARIES - PURCHASING	500,000
9.07	SALARIES - ADVERTISING	200,000



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Cost Allocation Methodologies

Methodology	Former Schedule	New Schedule
Direct	E Series	B (Capital) & B-1 (Non-Capital)
Functional	F Series	C (Capital) & D (Non-Capital)
Pooled	G Series	E (Double Allocation) & E-1 (Component Allocation)



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Cost Allocation Methodologies: Direct

- Allocate allowable home office cost directly attributable to a specific entity of the chain organization
 - Assign costs incurred for interest expense paid by the home office related solely to a specific entity(s)
 - Assign costs to the entity(s) where a specific employee(s) worked
 - Assign rental costs incurred by the home office which is directly attributable to an entity(s)



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Cost Allocation Methodologies: Direct

- Here is an example of Schedule B-1 where an employee spends part of their time at Hospital 1 and Hospital 4

DIRECT ALLOCATION OF NON-CAPITAL RELATED COSTS

Schedule B-1

PART I - HEALTHCARE PROVIDER COMPONENTS										
	COMPONENT NAME	CCN	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	SALARIES - PAYROLL	SALARIES - REVENUE CYCLE	SALARIES - FINANCE	SALARIES - IT	SALARIES - HUMAN RESOURCES	SALARIES - PURCHASING
			8.00	9.00	9.01	9.02	9.03	9.04	9.05	9.06
1.00	HOSPITAL 1	240001	100,000	0	0	0	0	0	0	0
2.00	HOSPITAL 2	241235	0	0	0	0	0	0	0	2.00
3.00	HOSPITAL 3	241236	0	0	0	0	0	0	0	3.00
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	200,000	0	0	0	0	0	0	4.00
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	0	0	0	0	0	0	0	5.00
51.00	Total		300,000	0	0	0	0	0	0	51.00



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Cost Allocation Methodologies: Functional

- Allocate allowable cost using a statistical basis
- Functional statistic must stay the same between periods
- Request a change in statistic in writing within 120 days after the beginning of the cost reporting period for which this is being requested
 - Review statistics periodically for appropriateness



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Cost Allocation Methodologies: Functional

- Use home office grid to help determine which departments/lines could use a functional allocation basis

FUNCTIONAL ALLOCATION OF CAPITAL RELATED COSTS - STATISTICS

Schedule C-1

PART I - HEALTHCARE PROVIDER COMPONENTS								
	COMPONENT NAME	CCN	CRC-B&F (SQUARE FEET)	CRC-B&F BUILDING B (SQUARE FEET)	CRC-B&F HOSPITAL BUILDING (SQUARE FEET)	CRC-B&F HOSPITAL BUILDING	CRC-ME (DOLLAR VALUE)	
		0	1.00	1.01	1.02	1.03	2.00	
1.00	HOSPITAL 1	240001	1,000,000	1,000,000	1,000,000	0	0	1.00
2.00	HOSPITAL 2	241235	500,000	500,000	500,000	0	0	2.00
3.00	HOSPITAL 3	241236	200,000	200,000	200,000	0	0	3.00
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	0	0	500,000	0	0	4.00
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	0	0	200,000	0	0	5.00
51.00	Total		1,700,000	1,700,000	2,400,000	0	0	51.00



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Cost Allocation Methodologies: Functional

- Test various bases to determine the most appropriate one for reporting

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS

Schedule D-1

Example #1

PART I - HEALTHCARE PROVIDER COMPONENTS										
	COMPONENT NAME	CCN	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	SALARIES - PAYROLL	SALARIES - REVENUE CYCLE	SALARIES - FINANCE	SALARIES - IT	SALARIES - HUMAN RESOURCES	SALARIES - PURCHASING
			(HOURS)	(HOURS)	(HOURS)	(HOURS)	(HOURS)	(HOURS)	(HOURS)	(HOURS)
			8.00	9.00	9.01	9.02	9.03	9.04	9.05	9.06
1.00	HOSPITAL 1	240001	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2.00	HOSPITAL 2	241235	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
3.00	HOSPITAL 3	241236	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	600,000	600,000	0	0	600,000	0	0	0
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	300,000	300,000	0	0	300,000	0	0	0
51.00	Total		2,600,000	2,600,000	1,700,000	1,700,000	2,600,000	1,700,000	1,700,000	1,700,000

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS - STATISTICS

Schedule D-1

Example #2

PART I - HEALTHCARE PROVIDER COMPONENTS										
	COMPONENT NAME	CCN	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	SALARIES - PAYROLL	SALARIES - REVENUE CYCLE	SALARIES - FINANCE	SALARIES - IT	SALARIES - HUMAN RESOURCES	SALARIES - PURCHASING
			(TOTAL COST)	(TOTAL COST)	(SALARIES)	(CHARGES)	(TOTAL COST)	(# OF USERS)	(SALARIES)	(COSTED REQUISITIONS)
			8.00	9.00	9.01	9.02	9.03	9.04	9.05	9.06
1.00	HOSPITAL 1	240001	30,000,000	30,000,000	10,000,000	100,000,000	30,000,000	1,000	10,000,000	1,000,000
2.00	HOSPITAL 2	241235	20,000,000	20,000,000	5,000,000	50,000,000	20,000,000	500	5,000,000	500,000
3.00	HOSPITAL 3	241236	10,000,000	10,000,000	3,000,000	30,000,000	10,000,000	300	3,000,000	200,000
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	30,000,000	30,000,000	0	0	30,000,000	0	0	0
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	10,000,000	10,000,000	0	0	10,000,000	0	0	0
51.00	Total		100,000,000	100,000,000	18,000,000	180,000,000	100,000,000	1,800	18,000,000	1,700,000



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Cost Allocation Methodologies: Functional

- Examine the cost impact to each entity

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS

Schedule D

Example #1

PART I - HEALTHCARE PROVIDER COMPONENTS										
	COMPONENT NAME	CCN	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	SALARIES - PAYROLL	SALARIES - REVENUE CYCLE	SALARIES - FINANCE	SALARIES - IT	SALARIES - HUMAN RESOURCES	SALARIES - PURCHASING
			8.00	9.00	9.01	9.02	9.03	9.04	9.05	9.06
1.00	HOSPITAL 1	240001	7,568,189	0	587,198	2,941,177	1,152,516	4,110,393	1,174,398	294,117
2.00	HOSPITAL 2	241235	3,784,096	0	293,600	1,470,588	576,258	2,055,197	587,199	147,059
3.00	HOSPITAL 3	241236	1,513,638	0	117,440	588,235	230,503	822,079	234,880	58,824
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	4,540,915	0	0	0	691,510	0	0	0
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	2,270,457	0	0	0	345,755	0	0	0
51.00	Total		19,677,295	0	989,238	5,000,000	2,996,542	6,987,649	1,996,477	500,000

Example #2

FUNCTIONAL ALLOCATION OF NON-CAPITAL RELATED COSTS

Schedule D

PART I - HEALTHCARE PROVIDER COMPONENTS										
	COMPONENT NAME	CCN	SALARIES OF OFFICERS	SALARIES AND WAGES OF OTHERS	SALARIES - PAYROLL	SALARIES - REVENUE CYCLE	SALARIES - FINANCE	SALARIES - IT	SALARIES - HUMAN RESOURCES	SALARIES - PURCHASING
			8.00	9.00	9.01	9.02	9.03	9.04	9.05	9.06
1.00	HOSPITAL 1	240001	5,880,590	0	549,451	2,777,760	895,504	3,884,573	1,098,902	294,117
2.00	HOSPITAL 2	241235	3,920,400	0	274,725	1,388,900	597,020	1,942,286	549,450	147,059
3.00	HOSPITAL 3	241236	1,960,200	0	164,835	833,340	298,510	1,165,372	329,670	58,824
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	5,880,600	0	0	0	895,530	0	0	0
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	1,960,200	0	0	0	298,510	0	0	0
51.00	Total		19,601,990	0	989,011	5,000,000	2,985,074	6,992,231	1,978,022	500,000



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Cost Allocation Methodologies: Pooled

- All allowable costs not allocated via direct or functional allocations are distributed to the entities by the pooled allocation basis
- Allowable statistics for pooled allocation:
 - Inpatient Days: Use if the home office consists of comparable inpatient healthcare providers
 - Total Costs (excluding home office cost): Use if providers are not comparable inpatient healthcare providers
 - Other sophisticated basis if approved by the MAC
 - Request in writing within 120 days after the beginning of the cost reporting period for which this is being requested



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Cost Allocation Methodologies: Pooled

- Double allocation between healthcare provider components, non-healthcare components and region/division components – recommend using cost less home office allocations as the basis

ALLOCATION OF POOLED COSTS FOR DOUBLE ALLOCATION METHOD

	DESCRIPTION	ALLOCATION STATISTICS (TOTAL COSTS)	ALLOCATION RATIO	CAPITAL RELATED				
				CRC-B&F	CRC-B&F BUILDING B	CRC-B&F HOSPITAL BUILDING	CRC-B&F HOSPITAL BUILDING	CRC-ME
		1.00	2.00	3.00	3.01	3.02	3.03	4.00
1.00	Healthcare Provider Components	100,000,000	0.995025	0	0	0	0	0
2.00	Non-Healthcare Components	500,000	0.004975	0	0	0	0	0
3.00	Region / Division Components	0	0.000000	0	0	0	0	0
4.00	Total	100,500,000	1.000000	0	0	0	0	0



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Cost Allocation Methodologies: Pooled

- Enter statistics for each part to allocate the attributed expense from Schedule E

ALLOCATION OF POOLED COSTS TO COMPONENTS

PART I - HEALTHCARE PROVIDER COMPONENTS									
				CAPITAL RELATED					
	COMPONENT NAME	CCN	ALLOCATION STATISTICS (TOTAL COST)	ALLOCATION RATIO	CRC-B&F	CRC-B&F BUILDING B	CRC-B&F HOSPITAL BUILDING	CRC-B&F HOSPITAL BUILDING	CRC-ME
		0	1.00	2.00	3.00	3.01	3.02	3.03	4.00
1.00	HOSPITAL 1	240001	30,000,000	0.300000	0	0	0	0	0
2.00	HOSPITAL 2	241235	20,000,000	0.200000	0	0	0	0	0
3.00	HOSPITAL 3	241236	10,000,000	0.100000	0	0	0	0	0
4.00	HOSPITAL 4 (NOT CONCURRENT)	240002	30,000,000	0.300000	0	0	0	0	0
5.00	HOSPITAL 5 (NOT CONCURRENT)	241237	10,000,000	0.100000	0	0	0	0	0
6.00			0	0.000000	0	0	0	0	0
51.00	Total		100,000,000	1.000000	0	0	0	0	0



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Cost Allocations Overview

- Consider the most appropriate cost allocation bases for home office costs – direct, functional, pooled as it can impact reimbursement
 - Cost-based reimbursement
 - Cost-to-charge ratios used in rate setting (like outliers)
 - Wage index - use allocation methods determined in the cost report OR pooled cost to identify wages and benefits attributable to individual entities
 - Medicaid DSH cost calculation
 - Other



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Common Pitfalls

- Not all management fees are allowable
- Owner compensation is allowable only to the extent that it is related to patient care and is reasonable
- Varying rules around organization, startup, and corporate acquisition costs
- Allowability of interest income/expense depends on source and use
 - Interest income offsettable against interest expense is adjusted on Schedule A, line 28 and flows to Schedule F-2



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Common Pitfalls

- Nonconcurrent cost reporting periods
- Be familiar with any applicable state Medicaid regulations for chain components
 - Some states place a cap on home office costs allowable in the Medicaid cost report
- Space cost for home office personnel
 - Is the space on a facility cost report?
- Are there shared services which should be reported on the home office cost report but on the individual entity's books?

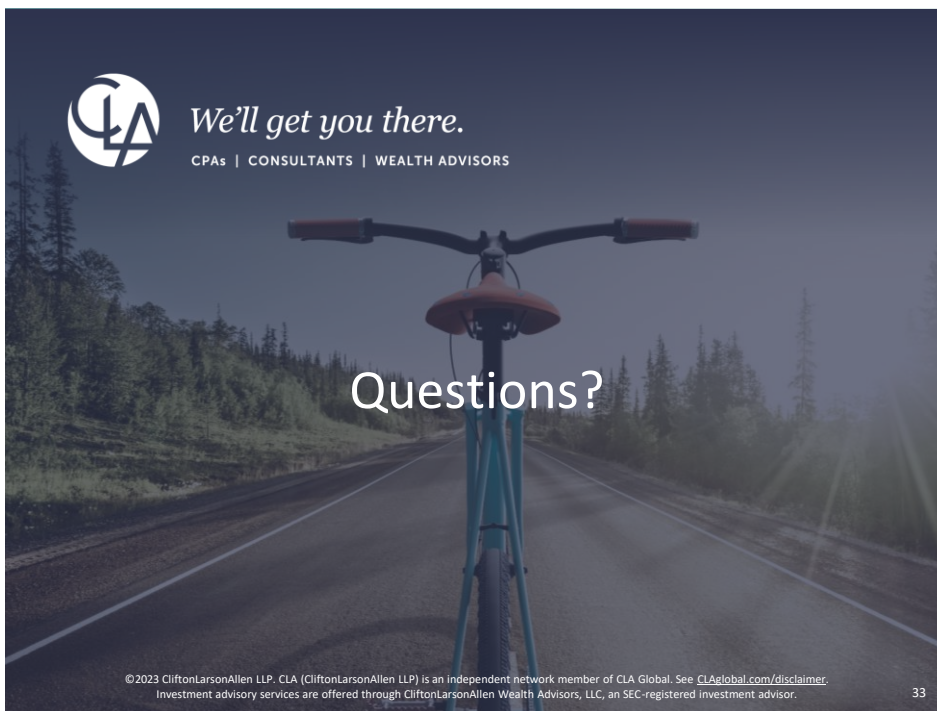



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Questions?

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