



Private ICF/ID

# Budget, Waiver, Cost Reporting, and Settlement Process

FY 2021–2022

Mercer Government  
Ready for next. Together.

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welcome to brighter

Confidential

# Cost Reporting Process (Budget/Waiver/Cost Report/Settlement)

## Background and Goals

- ODP requested that Mercer review the current cost reporting and waiver exception process for private ICF/IDs and provide recommendations to accomplish the following:

### Commonwealth Goals:

- Ease/streamline the cost reporting process
  - Provide transparency
  - Improve consistency of review processes
  - Consolidate settlement with cost report review to facilitate settlement processes
- ODP selected to implement multiple changes for the FY 2021–2022 cost reporting period to achieve these goals.

# Agenda

1. Review of Cost Reporting Changes
2. FY 2021–2022 Timeline
3. Questions and Feedback

**Review of Cost Reporting Changes**



# Review of Cost Reporting Changes

## Overview

With these changes, the Commonwealth will streamline the Budget, Waiver, Cost Reporting and Settlement processes.

- The waiver/budget process will focus on changes to the interim rate and waiver cost limits
- The cost report will include:
  - The approved budget for the fiscal year to facilitate a more complete tentative settlement process
  - A compensation comparison for employees with wage and non-wage compensation over \$288,000 to facilitate the final settlement
- Independent Auditors will verify specific items with their Agreed Upon Procedures (AUP)
- If Independent Auditors confirm documented items, then the State staff will be able to finalize settlements more timely

# Review of Cost Reporting Changes

The cost reporting changes are broken into two categories:

Changes in Policies and Guidelines



Updates to Cost Reports, Waiver Requests, and Budget Forms



We walk through the specific changes in each category in the following slides.

# Review of Cost Reporting Changes

## Changes in policies and guidelines:

- 1 Create a policy hierarchy governing cost report and waiver request regulations to help providers and ODP identify the order in which to apply Commonwealth and Federal policy and regulations.

# Review of Cost Reporting Changes

## Changes in policies and guidelines :

- 2 Create a set of consistent policy criteria for evaluating submitted cost reports and waiver requests including:
  - Standard comparisons between facilities each year.
  - Standard comparisons for a single facility from year-to-year to evaluate cost reports and waiver requests, separately.



## Review of Cost Reporting Changes

### Changes in policies and guidelines :

- 3 Review, adjust, and clarify reporting definitions used in completion of the cost report template, waiver request form, and budget form including standard definitions that would be implemented in the cost report and waiver templates. For example, allowable versus unallowable costs.

# Review of Cost Reporting Changes

## Changes in policies and guidelines:

- 4 Determine policies to warrant a waiver request (change in a cost report limit) that defines retrospective facility changes versus prospective changes including clearly defining “unforeseen” changes with a significant impact. Prospective changes must be approved in advance and processed in a timely manner to ensure that providers receive updated interim rates prior to the change. Streamline documentation required for budget adjustments, movement of funds, and waiver requests.

## Review of Cost Reporting Changes

### Changes in policies and guidelines :

- 5 Establish more standardized methods to evaluate waiver requests related to extraordinary funding for individuals including a link to acuity and staffing patterns. To facilitate this change, ODP plans to conduct a SIS/HRST assessments for each resident and have clearly outlined policies regarding when a waiver request will be granted.

## Review of Cost Reporting Changes

### Changes in policies and guidelines :

- 6 Will incorporate acuity into the cost reporting process with the use of SIS for ICF/ID participants, once the SIS assessment is completed for the population.

# Review of Cost Reporting Changes

## Changes in policies and guidelines :

- 7 Review waiver request policies and make the following adjustments:
  - Allow a facility to submit a combined request for multiple related issues that would affect a single cost report schedule (e.g., group salary and benefits, depreciation and loan) with a single signature on a transmittal letter.
  - Permit multi-site providers to submit a single set of documentation for a request across facilities (e.g., health insurance increase) while still requiring submission of facility-specific cost report changes.
  - Permit facilities to utilize the budget adjustment and movement of funds policies for up to a 10% limit for small repairs and Former Fixed Assets rather than requiring documentation submission within 30 days.
  - Standardize policies relating to one-time only and on-going changes and make the policies publicly available.

# Review of Cost Reporting Changes

## Changes in policies and guidelines :

- 7 Review waiver request policies and make the following adjustments:
  - Reduce the number of required signatures to a single signature on each facility's overall request.
  - Adjust the timing of Assessment Rate Changes to issue them by 11/30.
  - Incorporate waiver requests into the budget template: Require that the provider submit the specific budget schedule modification with the waiver request instead of a separate budget submission after approval. Link the budget to allowable and unallowable costs on the cost reports.

# Review of Cost Reporting Changes

## Changes in policies and guidelines :

- 8 Adjust the cost report and budget form checklists to be specific to completion and accuracy of the submitted information.
  - Revise the checklists for submitted cost reports and budget forms to indicate if the cost report is (a) complete and (b) accurate. Do not include policy questions in this format.
  - Eliminate submission of checklists and include the list of items within the instructions as a guideline for providers. If this approach is taken, a mechanism for receiving additional information sometimes included with the checklist by providers (e.g., exceptions) needs to be incorporated into the process.

# Review of Cost Reporting Changes

## Updates to cost reports, waiver requests, and budget forms:

- 1 Update the templates and instructions to reflect the approved changes in policy and guidelines.



## Review of Cost Reporting Changes

### Updates to cost reports, waiver requests, and budget forms :

- 2 Add a data export tab (flat file) to the cost report template (Cost Report Form ID-46) and the budget template (ICF/ID Budget Form ID-47). This will consolidate the reported data to feed supplemental analyses and management reports.

# Review of Cost Reporting Changes

## Updates to cost reports, waiver requests, and budget forms :

- 3 Require providers submit documents in electronic format.
  - Reduce reliance on hard-copy materials and require submission of cost reports, waiver requests, and budget forms in electronic format (through secure email or some other electronic uptake process).
  - A single signature on the transmittal letter is sufficient.
  - Consider use of electronic signatures or PDF of actual signatures.

## Review of Cost Reporting Changes

### Updates to cost reports, waiver requests, and budget forms :

- 4 Independent auditors will review the provider's General Ledger or trial balance and verify reported salaries to IRS Form during the annual audit using AUPs. ODP would emphasize the 5-year record retention requirement and providers would be required to produce this information if requested by ODP.

## Review of Cost Reporting Changes

### Updates to cost reports, waiver requests, and budget forms :

- 5 Incorporate the waiver request form into the transmittal letter form and ICF/ID Budget Form ID-47.

# Review of Cost Reporting Changes

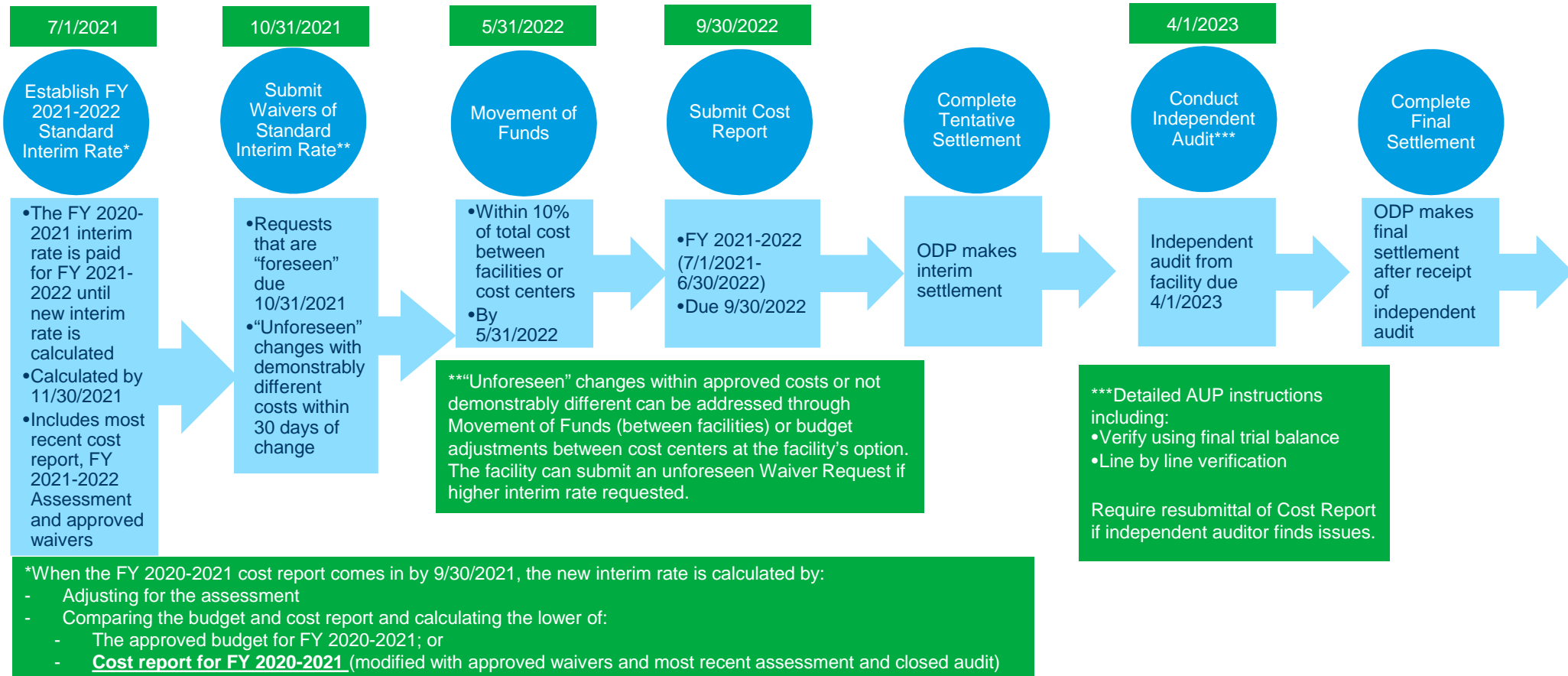
## Updates to cost reports, waiver requests, and budget forms :

- 6 Identify selection criteria for the detailed desk review of ICF/ID Cost Reports. Formal criteria for identifying areas of risk and selecting facility cost reports for desk review will be created.
  - Before submission to ODP (e.g., not reviewed in previous year, multiple waiver requests, high cost, etc.).
  - Once cost reports are received and comparisons are conducted (e.g., occurrences of outliers/exceptions). To determine the selected facilities after submission, develop/expand tools that conduct comparative and outlier analyses to review data across providers and year-to-year within each provider/facility, flagging those of interest.

**FY 2021–2022 Cost Reporting Timeline**



# Private ICF-ID Cost Reporting Timeline FY 2021–2022



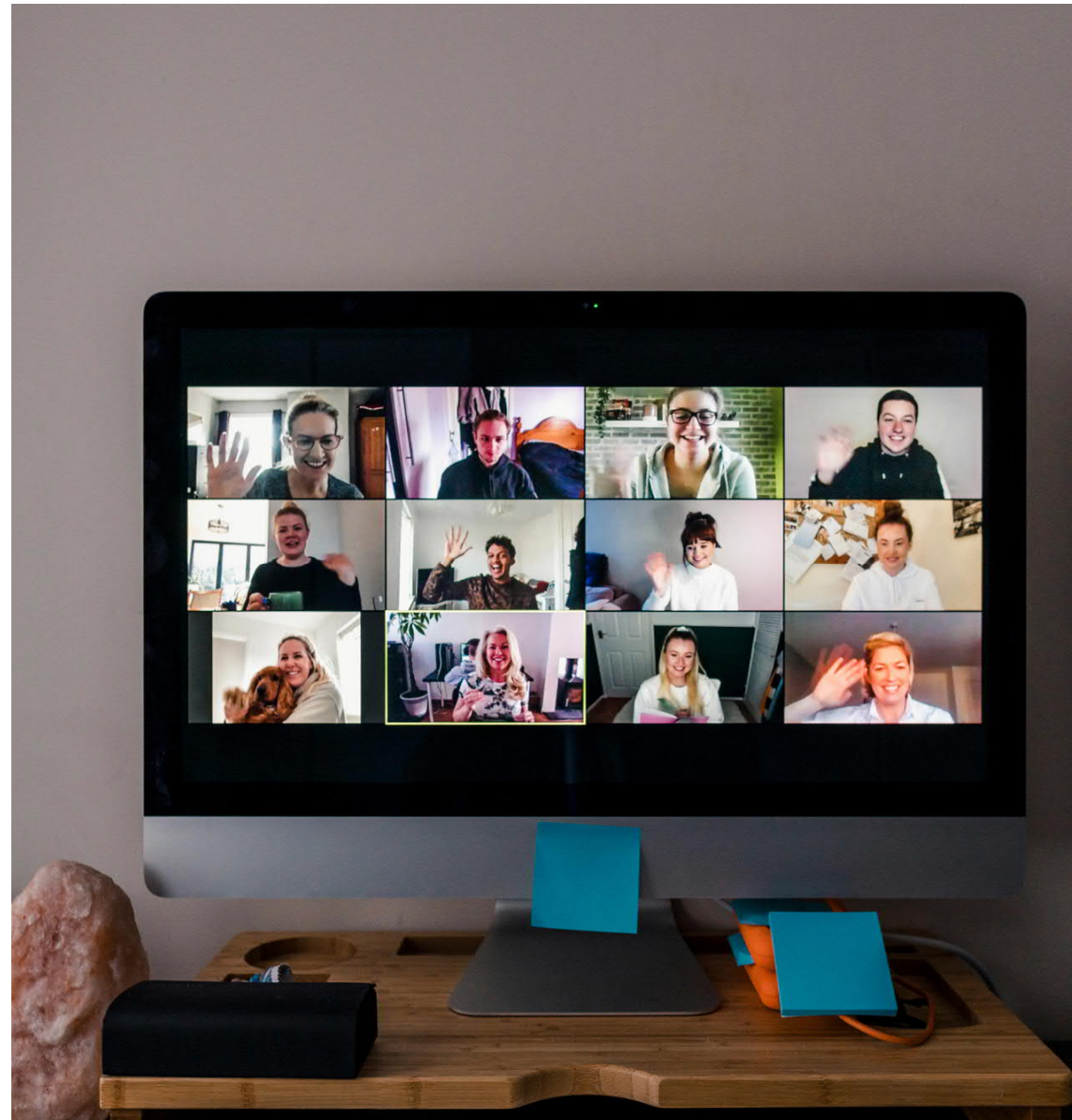
Questions and Feedback





## Provider Feedback

- ODP will release the draft templates to providers after today's call
- ODP is interested in getting feedback from providers on the cost reporting updates
- ODP will request that all comments and questions are submitted within two weeks after release of the draft templates



# Questions



