



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

Developmental Disabilities Administration (DDA)

201 W. Preston Street • Baltimore, Maryland 21201

Larry J. Hogan Jr., Governor – Boyd K. Rutherford, Lt. Governor – Van Mitchell., Secretary

Fiscal 2015 Cost Reporting Instructions for Fee Payment Services (FPS) Funded by the Developmental Disabilities Administration (DDA)

Transmittal #: DDA2015018

COST REPORTING REGULATORY REQUIREMENTS

These cost report requirements apply to services funded by the Fee Payment System for Licensed Residential, Day and Supported Employment Programs (COMAR 10.22.17) or the Community Supported Living Arrangements Payment System (COMAR 10.22.18).

As required by law (Health-General Article, § 7-306.1) and defined in COMAR 10.22.17.05 and 10.22.18.03, providers that receive funding from the Developmental Disabilities Administration (DDA) for services regulated by the Administration must submit an annual cost report for each service no later than six months after the end of the state fiscal year. The cost report must:

- Document the provider's actual and accrued expenditures and revenue for the fiscal year being reported.
- Be based on the provider's audited financial statement (prepared on the accrual basis and in accordance with Generally Accepted Accounting Principles (GAAP)).
- Contain a certification by an independent certified public accountant for the individual co-payments that should have been collected and for actual attendance days.

The law permits the Administration, after notice and an opportunity to request a hearing in writing, to impose a **penalty not exceeding \$500 per day** on providers that fail to comply with the cost reporting requirements (Health- General Article, §7-910(c), Annotated Code of Maryland).

SUBMISSION INFORMATION

To comply with cost reporting requirements outlined in the state law and regulations referenced above, providers must submit the following signed documents to DDA:

1. Cost Report Data Form (.xls **and** .pdf)
2. Audited Financial Statements (.pdf)
3. Attestation to attendance days and the individuals' payment to room and board and cost of care by an independent CPA. (.pdf)

The DDA Cost Report Data Form must be used. It is located on the DDA website, under the Provider tab, under DDA Forms for Provider, under Cost Report and Wage Survey (<http://dda.dhmh.maryland.gov/SitePages/costreports.aspx>). **Do not alter the format in any way and make sure that the 2015 template is used as it has changed from the 2014 template.** Submit

two copies of the cost report, one in Microsoft Excel format (.xls, .xlsx) and one in Adobe Acrobat format (.pdf). The cover page of the cost report must be signed by the provider in the Adobe Acrobat file.

For the Audited Financial Statements and Attestations, the accepted electronic format is Adobe Acrobat (.pdf). The attestation letter template must be used, and is located on the DDA website with the cost report template. The Audited Financial Statements and Attestations must be signed by an independent Certified Public Accountant (CPA).

A provider agency must complete and submit all documentation six months after the end of the state fiscal year. For fiscal year 2015, cost reporting documentation is due to DDA by **December 31, 2015**. All electronic documents must be submitted to: dda.reconciliations@maryland.gov.

ATTESTATION INSTRUCTIONS

An independent Certified Public Accountant (CPA) must attest to a provider's client attendance data and client fees. CPAs must examine the accompanying Statements of Client Attendance Days and Client Fees of a provider agency for the state fiscal year. The Statements of Client Attendance Days and Client Fees are the responsibility of the provider agency. The responsibility of the auditor is to express an opinion on these statements based on their examination. The CPA's examination should be conducted in accordance with attestation standards by the American Institute of Certified Public Accountants and the regulations of the State of Maryland Department of Health and Mental Hygiene and, accordingly, include **examining, on a test basis, evidence** supporting the Statements of Client Attendance Days and Client Fee, and performing such other procedures as considered necessary in the circumstances.

CLIENT ATTENDANCE DAYS

To verify the accuracy and reliability of the provider's records regarding attendance days, CPAs should complete the following procedures.

1. Prepare a summary of the procedures used by the provider for accumulating and identifying attendance days
2. Assure the adequacy of the procedures and documentation used by the provider to accumulate and identify attendance days
3. Examine the provider's attendance days accumulations by tracing total and summary totals to the document of original entry
4. Compare a sample of DHMH attendance forms with Client files and medical records that substantiate attendance and absence
5. Note any attendance discrepancies between the provider's records and the DHMH attendance forms

Based on the CPA's examination, they must report the number of attendance days by service by quarter.

CLIENT FEES

To determine that fees are collected and accounted for in accordance with applicable regulations, CPAs should complete the following procedures.

1. Review Department regulations and guidelines regarding client fees
2. Disclose any deficiencies in internal control re: (1) the collection of client fees and (2) the safekeeping of client personal funds
3. Reconcile the client fees collected with the amount reported on client matrix forms
4. Verify client fees collected with source documents and traced to Provider's bank account
5. Prepare proposed adjustments based on findings

Based on the CPA’s examination, they must report the totals collected from residential participants for the following types of client fees, separately.

- Cost of care
- Room and board costs

COST REPORT DATA FORM INSTRUCTIONS

The Cost Report Data Form excel workbook is composed of 10 worksheets, identified by a tab and tab title at the bottom of the workbook. These instructions are organized by the tabs in the Cost Report Data Form workbook. Please enter values into corresponding blank cells that can be selected. The spreadsheets include cells that automatically calculate values, which are identified by a grey coloring.

COVER SHEET

The cover sheet serves two purposes:

1. To gather basic information necessary for the DDA to identify and communicate with your provider agency
 - a. Please ensure that both a contact person and an alternate contact person are listed with their corresponding information
2. To certify that the report is complete and accurate

SCHEDULES A, B, C, & D: DDA FEE PAYMENT SYSTEM SERVICES

Below are general instructions for the following tabs and their corresponding services.

- A. Residential Services (Res)
- B. Day Services (Day)
- C. Supported Employment (SE)
- D. Community Supported Living Arrangements Services (CSLA)

SECTION 1: CLASSIFICATION OF OPERATING EXPENSES

In this section, an agency will detail operating expenses.

COLUMNS

- Direct Support Cost Center
 - Identify the direct support expenses associated with each line item. These would include direct support and certified nursing assistant (CNA) salaries and fringe benefits, as well as food, utilities, rent or building depreciation, supplies and equipment that relate to the direct support of consumers. Include in this column the salaries of all employees whose responsibilities directly impact the provision of direct support services to consumers (e.g. aide, service worker, first line supervisor, house manager, etc.). Other costs related to the employees identified in this cost center should appear in this column.
- Administrative Cost Center
 - Identify the administrative expenses associated with each line item. This should reflect all overhead costs, and would include administrative salaries (e.g. executive director; program directors; assistant program directors; clerical support; fiscal, human services and other administrative staff, etc.), fringe benefits associated with administrative salaries, cost of administrative offices, insurance, supplies, etc. These

administrative expenditures support the provision of direct support services to consumers. The allocation of these costs should follow the allocation method used in your audited financial records.

- Add-on Components
 - Complete this column for residential, day, supported employment, and CSLA, if appropriate. This would include total expenditures reimbursed under add-on components.
- Supplemental Services
 - Identify the costs associated with the provision of supplemental services.
- Totals
 - This column will calculate automatically.
 - This column represents the sum of the corresponding line item expenses for the Direct Support Cost Center, Administrative Cost Center, Add-on Components, and Supplemental Services columns.

LINE ITEMS

Input values based on the description of expenses in the table. If you cannot find a specific line item that coincides with your records, list the expenditure under the most appropriate or use schedule I “Other Expense” to list the type of expenses and the amounts that support the expenses. Below are definitions for some of the broader expense categories.

- Salaries and Wages
 - General employees
 - Examples include executive director; program directors; assistant program directors; clerical support; fiscal, human resources, and other administrative staff.
 - Direct support employees
 - Examples include aides, service workers, first line supervisors, and house managers.
 - Professional employees
 - Examples include doctors, nurses, certified nursing assistants, psychologists, and psychiatrists.
 - Contractors
 - Include in this section, expenditures for individuals who are not employees of your agency, such as costs associated with services from temporary employment agencies, and with individuals who are not supervised by your organization. Use the examples listed above as guidelines for determining general, direct support and professional staffing.
- Fringe Benefits
 - Fringe benefits paid for the above-noted employees.
- Transportation-Consumers
 - Include transportation costs associated with transporting consumers to all activities, including to and from the program, doctors’ offices, and other activities.
 - Salaries and wages for employees with transportation duties should be reported under the categories contained in the salaries and wages section.

An independent CPA must attest to the client attendance.

SECTION 2: ATTENDANCE

Attendance data needs to be reported for each service. Use the actual date you began serving each consumer, not the date services were authorized to begin, to calculate the total number of attendance days per quarter.

- PCIS2 Attendance
 - Include the attendance days currently reported in PCIS2 for each type of attendance day.

- Provider Attendance Record
 - On the rows labeled “FPS Payable Days,” include the attendance days reimbursed by FPS or CSLA
 - The “FPS Payable Days” attendance totals should agree with the payable attendance days certified by your CPA after examination of evidence supporting the attendance days reported in PCIS2.
 - On the rows labeled “FPS Non-Payable Days,” include the attendance days not reimbursed by FPS or CSLA.
 - On the rows labeled “Non-DDA Attendance,” include, if applicable, the attendance days for individuals in the service but not funded by the DDA.
- Difference in PCIS2 and Provider Payable Days
 - Values in this table will populate if the total payable days in PCIS2 does not equal the payable days reported from your provider attendance records.
 - If the values are all equal to zero “–”, then provider records match PCIS2 and no further action is required.
 - If any of the values is not equal to zero, then complete “Schedule G – Attendance Reconciliation” to explain any discrepancy between attendance days as reported in PCIS2 and the provider attendance record. More instructions are provided in section Schedule G of this guide.

SECTION 3: SITE INFORMATION DATA

This data will provide DDA with general information about provider operations. It is understood that this data changes frequently. Please report based on your status as of June 30, for the year being reported.

SCHEDULE E: OTHER EXPENSES

If you cannot find a specific line item that coincides with your records, use this schedule to list the type of expenses and the amounts that support the expenses. Schedule E is broken down into four sections: A, B, C, and D. Each section has a table that corresponds to the FPS service schedule and tab. Please place expenses and the amounts in the schedule corresponding to the specific service. The totals of the other expenses will automatically populate in the main classification of expenses in Section 1 of Tabs A, B, C, and D.

SCHEDULE F: NET OPERATING INCOME (NOI)

This schedule will be used to measure net operating income for DDA services and to reconcile revenues and expenses with your audited financial statements.

SECTION 1: OPERATING REVENUE

- Revenue
 - List Fee Payment System and CSLA Payment System revenue under the proper program.
 - Under “Non-DDA Revenue”, include other funds received from third parties and used for residential, day, supported employment, and CSLA programs. This would include private pay, insurance, DORS, United Way, etc.
 - Applicable to residential services providers only, the provider should list the actual collections from individuals’ payment of room and board and their contribution to cost of care for the residential program.
This amount should be certified by a CPA firm. An independent CPA must attest to the client fees.
 - Actual collections should not be confused with expected contributions as reported in PCIS2. Expected contribution is the amount that DDA expects you to collect (as recorded in PCIS2), while actual collections is the amount you actually collected.

- If a discrepancy exists between expected client fees and actual receipts please complete “Schedule H - CTC Reconciliation,” to explain the differences. A provider may not be reimbursed for any differences that are unexplained on Schedule H.
- Applicable to day service providers only, the provider should list any local funding for the day program. Local funding is defined as those funds, which are provided directly to an agency by the local subdivision, in accordance with the 1984 state/county agreement.
- Under “All Other DDA Revenue,” all other revenue funded by the DDA for programs not listed in the cost report, such as FSS/ISS/IFC should be reported here.
- Under “All Other Non-DDA Revenue,” include all other revenue for Non-DDA programs.
- **Total Revenues should reconcile with total revenues on the audited financial statements.**

SECTION 2: OPERATING EXPENSES

- Expenditures
 - Totals from Tabs A, B, C, and D will automatically populate in this table.
 - Under “All Other DDA Operating Expenses,” all other expenses incurred for DDA programs not listed in the cost report, such as FSS/ISS/IFC should be reported here.
 - Under “All DDA Non-Operating Expenses,” enter all non-operating expenses, such as interest expense, pension changes, or swap adjustments, for all DDA programs.
 - Under “All Other Non-DDA Expenses,” include all other expenses for Non-DDA programs.
 - **Total Expenses should reconcile with total expenses on the audited financial statements.**

SECTION 3: NET OPERATING INCOME/(LOSS) OF DDA SERVICES

This table will automatically calculate the agency’s net operating income for DDA services.

SECTION 4: EXPLANATION OF TOTAL REVENUES/EXPENSES ON AUDITED FINANCIAL STATEMENTS

Use this section only if the total revenue and/or total expenses reported on the cost report do not reconcile with the total revenue and/or total expenses reported in the audited financial statements. If the total revenue/expenses number in the cost report does not equal the total revenue/expenses number in the audited financial statement, but the addition or subtraction of other revenues/expenses does reconcile the numbers, then this calculation needs to be explained in this section.

SCHEDULE G: ATTENDANCE RECONCILIATION

This schedule is used only if there is a variance between payable days reported in PCIS2 and payable days in the provider record. If there is no difference between the PCIS2 payable days and the payable days in the provider record, then this section does not need to be completed. To process the reconciliation of the attendance data, an explanation of the variance should be reported here.

- If the total of PCIS2 payable days is less than the total of payable days reported in the provider attendance records, then the provider will need to explain each difference in attendance to be reimbursed. A provider may not be reimbursed for any differences that are unexplained.
- If the total of PCIS2 payable days is more than the total of payable days reported in the provider attendance records, then the provider will also need to explain each difference. The difference in attendance will be recouped by the DDA.

For columns “Service,” “PCIS2 Attendance Category,” and “Actual Attendance Category,” there is a drop down list in the cell that provides all the categories. You can access this list by first clicking on the cell and then clicking on the down arrow or you can use your keyboard to tab to the cell and then press the ALT + Down Arrow Cursor buttons. These drop downs are used to correctly report the service and attendance classification.

SCHEDULE H: CONTRIBUTION TO CARE RECONCILIATION

Residential service agencies must provide information on contribution to cost of care. A provider agency must report the total contribution to care calculated in PCIS2, and individualized information on the collection of those fees.

The annual expected contribution to care for all individuals in your agency can be located in PCIS2 by submitting a query under the Payment’s module under the Consumer Payments Details’ tab.

- Choose Earned Payment Details under Report Type
- Choose Residential under Service Type
- Choose your provider agency under Provider
- Type the fiscal year
- Check the Summarize by Fiscal Year box
- Hit the Submit Query button

Consumer Payment Details Query

Report Type:* Earned Payment Details ▾

Service Type:* Residential ▾

Provider:*

Fiscal Year:* 2015

Summarize by Fiscal Year:

Fiscal Quarter:

Service Month:

Consumer Number: Must be 9 digits. eg) 123456789

Consumer Earned Payment Details Listing												
Period of Payment:		2014		Service Type:			Residential			Provider Name:		
Consumer Name	Consumer Number	Facility No.	Facility Name	Total Allowable Days	Daily Base Rate	Weekly Overnight	Direct Support	Professional Support	Room & Board	Consumer Contribution/Residential Only	Total Earned	
				11,709						\$73,107.75	\$3,222,736.23	
TOTALS				11,709						\$73,107.75	\$3,222,736.23	
Total Records is 38 Number of records: 38												
1 2 3 4												
										Next		
										Done Print To File		

Under the column Consumer Contribution (Residential Only) and the row Totals, is the running total for that fiscal year. Input this number into cell C8, Total Contribution to Care in PCIS2.

You must also report for every individual:

1. The individual’s annual expected contribution to care (calculated in PCIS2)
2. The annual payment from the individual for cost of care
3. The annual payment of CTC invoices from DDA for uncollectible cost of care, if any

As stated in the Contribution to Care guidance, no other formula may be used to calculate cost of care other than what is outlined in DDA’s federal waiver program, which is the formula used in the PCIS2 CTC form. If a provider has reported payments from an individual that exceed the individual’s PCIS2 CTC form, then those funds may only represent corrections to provider errors in the PCIS2 CTC form. If the CTC form is correct and the provider still obtained more collections from the individual, then the provider should not input that information on Schedule H and must immediately return the excess funds to the individual.

SCHEDULE I: ROOM AND BOARD RECONCILIATION

If a provider received payment from room and board invoices from the DDA for **uncollectible** room and board fees, then the provider must report on an individual basis, the annual reimbursement from DDA and the total **unpaid** amount from the individual, including what was invoices to the DDA, as of the end of the fiscal year.

SCHEDULE J: WAGE PERCENTAGE

In accordance with Article Health General Section § 7.306.3 (b)(2) Annotated Code of Maryland, the Department needs to accurately assess that:

‘The percentage of a community provider’s total reported operating expenses, excluding interest on capital and other capital expenses, that is spent on direct support employee salaries, wages, and fringe benefits for a fiscal year, as reported to the Department by the provider in its fiscal year cost report data form, may not be less than the percentage of the community provider’s total reported operating expenses spent on direct support employee salaries, wages, and fringe benefits for the last fiscal year in which the rate increase for community service providers is less than 3.0% over the funding provided in the legislative appropriation for Community Services in the prior fiscal year.’

The schedule will automatically calculate this percentage, based on provider inputs in Tabs A, B, C, and D.

- Total operating expenses is the sum of the grand totals in Tabs A, B, C, and D.
- Direct support expenses is the sum of the total salaries and wages for direct support employees and their total fringe benefits that were provided in Tabs A, B, C, and D.

The direct support expenses over the total operating expenses will calculate the wage percentage that will be used to measure your use of additional funding in future fiscal years in accordance with the statute detailed above.

DDA COST REPORT REVIEW CRITERIA

Each submitted cost report package will be evaluated against the cost report requirements below in order to determine completeness. If any of the answers to the questions below is “No,” then the cost report is considered incomplete. The DDA may impose a **penalty not exceeding \$500 per day** on the provider due to noncompliance in accordance with Health-General Article, §7-910(c), Annotated Code of Maryland.

REQUIRED DOCUMENTS

1. Cost Report submitted? (Y/N)
 - a. Two points of contact present on page 1 of the Cost Report? (Y/N)
 - b. Is the report signed by the provider? (Y/N)
 - c. Is report submitted in both Microsoft Excel and Adobe Acrobat? (Y/N)
2. Audited Financial Statement submitted? (Y/N)
 - a. Is the statement signed by the auditor? (Y/N)
3. Attestation of Attendance Days and Client Fees submitted? (Y/N)
 - a. Is the statement signed by the auditor? (Y/N)
 - b. Is attendance data provided in the Attestation? (Y/N)
 - c. Is client fee data for cost of care provided in the Attestation? (Y/N/NA)

RECONCILIATION

4. Do the amounts for “Total Expenses” and “Total Revenues” in Schedule F: Net Operating Income of the Cost Report agree with the Audited Financial Statement? (Y/N)

ATTENDANCE RECORD

5. Is attendance data provided in the Cost Report? (Y/N)
6. Does the attendance data in the Cost Report agree with the attendance data in the Attestation? (Y/N)
7. Does the PCIS2 attendance data reported in the Cost Report agree with the attendance data in PCIS2? (Y/N)
8. If provider attendance data and PCIS2 attendance data do not agree is Schedule G completed? (Y/N/NA)

CLIENT FEES

9. Is client fee data for cost of care provided in the Cost Report? (Y/N/NA)
10. Do the client fees for cost of care in the Cost Report agree with the client fees in the Attestation? (Y/N/NA)
11. Does the PCIS2 cost of care data reported in the Cost Report agree with the cost of care data in PCIS2? (Y/N/NA)
12. If provider collected contribution to care, is Schedule H completed and do the “Totals Match”? (Y/N/NA)
13. If provider received reimbursement from DDA for room and board, is Schedule I completed? (Y/N/NA)