The Home Office Cost Report is a supplementary document to the provider cost report. It supports and explains the appropriateness and amounts of cost incurred by the Home Office on behalf of the chain components. This cost report form should be prepared for any organization (other than an individual provider) which provides products and/or services to two or more entities one or more of which is a related party provider, such that costs of the organization must be allocated to the related party provider. Such an organization is referred to in these instructions as a “Home Office” for purposes of simplicity.

All cost reports should generally be filed using the accrual basis of accounting covering the period from July 1, 2020, to June 30, 2021. However, where the Home Office’s fiscal year end is other than June 30, the financial and statistical information from that fiscal year may be used. If a Home Office elects to use a fiscal year other than June 30, the information must be taken from the Home Office year end that precedes June 30, 2021. For example, if a Home Office fiscal year end is September 30, the Home Office may file a Home Office cost report for the period ending September 30, 2020. The Home Office may not use the September 30, 2021 year end. A Home Office may not change its year end for reporting purposes without advance permission by the Department.

Cost allocations determined on a Home Office cost report will be recorded directly on the chain component cost reports. For example, allocations of cost from the example September 30, 2020 year end Home Office cost report above would be reflected exactly on the chain components’ June 30, 2021, cost reports. There will be no adjustment for inflation, length of cost report period, or changes in allocation statistics such as patient days.

Any change in accounting procedures and statistical bases utilized should be detailed on a separate sheet, with an explanation of the change, and submitted with the current cost report. All amounts reported on the cost report should be in whole dollars (unless otherwise indicated). A separate cost report must be filed for each entity within a Home Office structure that provides services to the chain providers if separate books and accounts are maintained for the individual entity.

A copy of the completed electronic Home Office cost report and questionnaire must be emailed to the Department by September 30, 2021. The Policies and Procedures for Nursing Facility Services manual indicates that if the cost reports are not filed by September 30, the Department shall have the option of either terminating the provider agreement upon thirty (30) days written notice or imposing a penalty of $50 per day for the first thirty (30) days, and a penalty of $100 per day for each day thereafter until an acceptable cost report is received by the Department. The only condition in which this penalty will not be imposed is if written approval for an extension is obtained from the Division Director of the Institutional Reimbursement Section, Department of Community Health prior to the September 30 deadline. Since incomplete or improperly prepared reports are subject to the same penalty as late filings, all facilities are encouraged to file by September 1 to insure no penalty is imposed. Copies of the various supporting documents required by certain schedules should be attached to both copies of the cost report. The supporting documents should be clearly labeled as to the schedule to which they refer.

A cost report must be prepared by each owner of a Home Office if the Home Office was sold during the current period. Each owner should complete a Home Office cost report covering the period of ownership. Please refer to the Social Security Act, Title XIX, Section 1909 and Title XI, Section 1128A for an outline of conditions leading to possible criminal and civil prosecution for providers who insist on including unallowable costs on cost reports.

All cost reports should be emailed as an attachment to nhcostreport@dch.ga.gov.
The chain organization is a special type of multiple facility group, which consists of entities bound together through common ownership or control. In the Centers for Medicare and Medicaid Services manual (CMS-15, Section 2150) a chain is described as follows:

A chain organization consists of a group of two or more health care facilities which are owned, leased, or through any other device, controlled by one organization. Chain organizations include, but are not limited to, chains operated by proprietary organizations and chains operated by various religious, charitable, and governmental organizations.

The distinguishing and elemental feature of a chain organization is the existence of common ownership or control among the chain’s components. Chains consist of related organizations as defined in CMS-15, Chapter 10:

Related to the provider means that the provider to a significant extent is associated or affiliated with, or has control of, or is controlled by, the organization furnishing the services, facilities, or supplies.

To determine whether a multiple facility group consists of related organizations and is, therefore, a chain organization, two tests are to be made: the existence of either common ownership or common control.

**Common Ownership:** Common ownership exists when an individual or individuals possess significant ownership or equity in the provider and the institution or organization serving the provider.

**Common Control:** Control exists where an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. The term “control” includes any kind of control, whether or not it is legally enforceable and however it is exercisable or exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise.

Because chain organizations consist, by definition of related organizations, of either common ownership or common control, all transactions between the chain components for services, equipment, or supplies can only be recognized at actual cost. Related organizations reimbursement for internally-generated profits, which may be charged among the related parties, is not allowable.

Under special circumstances (see CMS-15, Section 1010), an exception may be granted to the related organization principle. In general, where the servicing company is a separate organization operating in the open market and only incidentally transacting business with the related party, the charges may be reimbursable where reasonable.

The Home Office is not recognized by Medicaid as a provider since the Home Office does not have a participating agreement, but is recognized merely as a related organization to providers participating in the Medicaid program. Home Offices which incur costs while rendering patient care services to or on behalf of the chain providers are not able to receive reimbursement directly from the Medicaid program. These costs must, therefore, be computed and allocated to the chain component for reimbursement as part of a provider’s cost report.

Generally, cost which would be reimbursed if incurred by a provider, would also be reimbursed when properly computed and transferred to the provider cost report by the Home Office. Transactions between the Home Office and the chain components (as related organizations) must be recognized at cost, unless as discussed above, the servicing company operates in the open market and only incidentally transacts business with the related party. Inter-company charges must be removed and costs substituted for Medicaid reimbursed purposes.

To document and support the Home Office costs and properly allocate them to the provider cost reports, the Home Office must prepare a detailed cost report for Medicaid audit purposes. Although the Home Office is not a provider itself, its cost may be reimbursed by Medicaid when properly allocated to the cost reports of the chain providers. Any costs which have been disallowed and not reversed upon appeal by the Department in prior years should be excluded in this cost report.
The Statement of Revenues and Allowable Costs serves as a compilation of cost incurred and cost adjustments, in accordance with CMS-15, Chapter 21 and the policies and procedures manual.

Enter the Home Office revenues and expenses, as shown in the Home Office ledgers and records, in Column 2, in accordance with the line descriptions in Column 1 which in general follow the accounts detailed in the DCH’s Uniform Chart of Accounts manual (and in the cost reports for individual providers).

Enter revenues from health care related services within the applicable account descriptions. These account totals must agree with Schedule I-1, Column 8, Line 23, which details revenue by individual chain components. Income from non-health care related activities should be entered in the “Other Income” section, and should not be intermingled with health care revenues. Attach a separate sheet, if additional lines are required. In accordance with CMS-15, Section 2150.3E&F, interest and investment income should be shown on Line 42, and interest expense should be broken down into capital and non-capital related, and shown on Lines 39 and 40 of Schedule I.

This schedule, “Revenues from Health Care Related Services”, details all services related to health care provided by the Home Office to its individual chain components. Each chain component to which the Home Office provides services should be listed in Column 1 as related or non-related, (defined in CMS-15, Chapter 10), with appropriate revenues by type of service in Columns 2-7. Revenue by chain components must agree with Schedule H of each related provider’s individual cost report. The total by type of service (line 23) should agree with the revenue summary on Schedule I, Column 2, Lines 1 through 8.

“Basis of Billing” on this schedule refers to the manner in which services are billed to the chain components. (For example, an amount per bed per month, an amount based upon inpatient days, a flat monthly fee, etc.). Attach a separate sheet, if necessary, to describe the basis used.

Reference should be made to CMS-15, Chapter 21 and the policies and procedures manual for guidelines on principles of reimbursable and non-reimbursable costs. Generally, costs which would not be reimbursable if incurred by a provider, are not reimbursable when incurred by the Home Office.

All adjustments to expenses per books are summarized on this schedule. Line descriptions indicate the more common activities which affect costs or result in cost incurred, which are not applicable to patient care. Be sure to provide the line number for each adjustment recorded. Include any clarifying comments to substantiate the position taken, where necessary. In addition, please include any prior year audit adjustments which offset current year cost and beginning equity capital.

Adjustments which may be necessary include, but are not limited to, revenues which are considered recoveries of cost (sale of meals, purchase discounts or rebates of expenses, etc.) or direct expense adjustments not allowed by specific regulations (bad debts, excessive owner’s compensation, etc.). Also, on June 6, 1990, the Board of Medical Assistance voted to disallow certain costs. Please refer to Chapter 1000 of the Policies and Procedures for Nursing Facility Services manual for specifics regarding these costs. Some of the non-allowable costs include lobbying expenses, memberships in civic organizations, certain out-of-state travel and certain vehicle depreciation and air transportation. In addition, 50% of membership association dues, certain legal fees and various advertising costs are non-allowable. Any of these costs included on the cost report should be adjusted out by an I-2 adjustment.
SCHEDULE I-3 AND I-4

These schedules allow for the direct or functional allocation of expenses to a particular chain component, as if the chain component had incurred the cost itself. Examples are depreciation on assets recorded on the books of the Home Office, but utilized by only one individual chain component, and interest on notes or mortgages held for specific chain components. Each component to which direct or functional allocations are made should be listed in Column 1 as related or non-related, (defined in CMS-15, Chapter 10), with appropriate allocations by type of expense in Columns 2-5. Each type of allocation and its basis should be listed in a separate column and described in the heading at the top of each column. Allocation by component should agree with Schedule H of the cost report for each related provider.

SCHEDULE I-5

The schedule allocates “as adjusted” allowable pooled costs per Schedule I to the individual related providers. Additionally, the schedule allocates “as adjusted” capital and non-capital related interest expenses per Schedule I to the individual providers.

Each chain component from which revenue was obtained should be listed in Column 1 on Schedule I-5 as related or non-related (defined in CMS-15, Chapter 10). The statistical information (inpatient days, accumulated costs, etc.) for each chain component should be detailed in the appropriate columns on Schedule I-5. If all expenses are not allocated on the same basis, expenses with a similar allocation basis should be grouped and entered in the space provided at the top of each column on Schedule I-5. These columnar amounts should be totaled, and a percentage of the total calculated for each component.

The allocation basis must be consistent with the prior year. Any change must be approved by the Department of Community Health, in accordance with CMS-15, Section 2150.3C, paragraph 2.

The total allowable expense applicable to each columnar expense group should be entered in the appropriate columns on Schedule I-5, Line 9. The total for each column should be multiplied by the respective percentages to determine the total allocated amount for each chain component. The total calculated for each chain component on Schedule I-5 (Column 6), should agree with the amount reported on Schedule H as “cost to the related party” in each related provider’s cost report.

It is important to note that home office costs (except capital related interest expense), which are not directly allocated to the provider, but are allocated on a functional or pooled basis, should be included in the provider’s cost report as part of the provider’s general and administrative costs, in accordance with CMS-15, Section 2150. Capital related interest expense should be included in the provider’s cost report as part of the provider’s property and related expenses.

SCHEDULE I-6

This schedule discloses as-adjusted interest expense claimed by all components of the chain. The amounts should agree with the amounts shown on the individual provider cost reports. For non-health care related components, these amounts should agree with amounts recorded in the entity’s accounting records. For facilities leased from related parties, the interest portion of the related party’s cost should be shown on this schedule in addition to any other interest charged.

SCHEDULE I-7

This schedule calculates the amount of investment income required to be offset against interest expense. For amounts not requiring offset, indicate source of income and applicable federal regulation justifying non-offset. Lines 4 through 8 allocate the amount of investment income offset determined on Line 3 between capital and non-capital.
related in accordance with CMS-15, Section 2150.3E&F.

**SCHEDULE I-8**

This schedule calculates the amount of the investment income offset that is allocated to the components in accordance with CMS-15, Section 2150.3E&F.

**SCHEDULE II**

The purpose of Schedule II is to accumulate information on prepaid and accrued expenses recorded during the cost report period.

Part I requires insurance information as follows:

**Item 1:** Specific information on all insurance policies in effect during the cost report period should be provided. This should include all policies that ended during the cost report period, as well as all policies that began during the period.

- **Column 1:** The name of the insurance provider should be listed.
- **Column 2:** A brief description of the purpose of each policy (workers’ compensation, group health, professional liability, etc.) should be listed.
- **Column 3:** The period of coverage for each policy should be listed.
- **Column 4:** The insurance type (commercial, self-insurance, captive) for each policy should be listed.
- **Column 5:** If a prepaid account is utilized when recording insurance payments, the prepaid balance associated with each insurance policy should be listed.
- **Column 6:** The amount of expense included in pooled cost should be listed here.
- **Column 7:** The amount of expense directly/functionally allocated should be listed here.

**Item 2:** If the home office was self-insured for any coverage, whether the home office included contributions to the fund or actual claims paid out of the fund in allowable expense should be indicated.

**Item 3:** Whether the insurance policies listed provide coverage to all chain components listed on Schedule V should be indicated.

**Item 4:** Whether a prepaid account is utilized when recording insurance payments should be indicated.

**Item 5:** A brief description of the methodology used to calculate the prepaid balances supplied in Item 1, Column 4 should be provided.

**NOTE:** If a prepaid insurance analysis is maintained by the provider or cost report preparer, it may be submitted with the cost report in lieu of completing Part I of Schedule II.
Part II requires information on salaries, vacation time and payroll taxes accrued during the cost report period as follows:

**Item 6:** Whether salary, vacation time and payroll tax accruals are recorded should be indicated.

**Item 7:** Specific information on all salaries, vacation time and payroll tax accruals should be provided.

**Column 1:** The general ledger account number(s) where salary, vacation time and payroll tax accruals are recorded should be listed.

**Column 2:** The general ledger account name(s) where salary, vacation time and payroll tax accruals are recorded should be listed.

**Column 3:** The balance in each account listed in Columns 1 and 2 at the end of the cost report period should be listed.

**Item 8:** A brief description of the methodology used to calculate the balances reported in Item 9 should be provided.

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**SCHEDULE II-1**

Primarily a self-explanatory schedule analyzing equity per books for the fiscal period. Be sure to fill it out completely.

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**SCHEDULE II-2**

List the total interest expense incurred for the period. Be sure to include interest expense information on loans paid off during the period. The total interest expense should agree with the amounts reflected in Schedule I.

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**SCHEDULE III**

This schedule is designed to provide detail salaries and wages information for certain employees of the Home Office. To identify those employees that must be listed, follow the instructions on page 14 of this cost report.

**Columns 1-3:** The information required is generally self-explanatory. Attach a sheet if necessary to clarify the position or job description of any employee.

**Column 4:** The total number of months employed during the cost report period should be rounded to the nearest half month.

**Columns 5-10:** These columns represent cash basis compensation received by the employee during the period as reported in the Form ESA-4 and any other compensation not reported therein. Column 8 should detail, by employee, all benefits received and included in lines 10, 11, and 12 of column 2 of Schedule I. Column 9 should detail all benefits received but included in expenses on Schedule I in an account other than those above. Columns 5 and 6 should total to column 7, and column 7, 8, and 9 should total to column 10.

**Columns 11-12:** Column 11 represents a percentage estimate of time not devoted to health care operations (such as time devoted to acquisitions, non-health care subsidiaries, etc.). Attach a separate sheet which supports the percentage used. Column 12 is obtained by multiplying any percentage in column 11 times the total compensation in column 10. The total of column 12 (line 16) should agree with Schedule I-2, column 3, lines 15 and 20, where adjustment is made to allowable costs.
Column 7 should be totaled (line 16), and the beginning and ending accrual added or subtracted to obtain accrual basis payroll expense. There may be certain additional items charged to the salaries and wages account and provision is made to explain these items in the “Other” section. The “Total” should agree with the amount reported on Schedule I, column 2, line 9.

SCHEDULE IV

All related party transactions (except revenues from Home Office services – See Schedule I-1) are to be summarized in Part I of this schedule. A related party may be a corporation, partnership, or individual. (Refer to Chapter 10 of CMS-15 for an explanation of what constitutes a related party and how this can effect reimbursable costs.) In general, related means that the entity, to a significant extent, is associated or affiliated with, or has control of, or is controlled by, the organization furnishing the services, facilities, supplies, etc. Further, costs applicable to services, facilities, and supplies furnished to the entity by organizations related to the entity by common ownership or control are includable in the allowable cost of the entity at the cost to the related party. Such cost must not exceed the price of comparable services, facilities, or supplies that could be purchased elsewhere. Where the cost of a related party is included in allowable cost, supporting financial statements of the related organization and calculations supporting the related party cost for the cost report period must be furnished.

However, payments to related parties operating on an arm’s length basis would be included in allowable costs on the basis of charges. Refer to Section 1010 CMS-15 for further details on this exception to the related party principle.

The break out of adjustments to allowable costs on Schedule I-2 provide for segregation of related party transactions. All amounts included in the related party categories in Schedule I-2 must be detailed in the appropriate section of Schedule IV and all items in Schedule IV must be classified in the related party categories in Schedule I-2 (Lines 23-28).

Each category of related party data in Part I has a column established to capture any adjustments to allowable costs, which is essentially the difference between the total paid by the Home Office and the cost to the related party. The following is additional information applicable to Items 1-5 (refer to CMS-15 for more complete details):

**Item 1:** The non-allowable expense in column 5 is the difference between either the amount included in expense (column 2) or the amount amortized (column 3) and the cost to the related party (column 4) which includes depreciation, insurance, taxes, interest, and other costs paid by the lessor. Depreciation must be calculated over the guideline lives of the American Hospital Association.

**Item 2:** If an asset has been purchased from a related party, the depreciation cannot exceed that which would have been recorded by the related party had the asset not been purchased by the Home Office entity. Thus the non-allowable expense in column 8 represents the difference in the total depreciation recorded by the Home Office entity (column 6) and that computed on the cost to related party (column 7). Columns 3-5 require historical cost information relating to the related party for the computation in columns 6-8.

**Item 3:** Generally, interest paid to partners, stockholders, and related parties (Column 6) is not an allowable cost, except for loans made before July 1, 1966, provided the terms and conditions of such loans have not been subsequently modified. (Refer to CMS-15, Chapter 2 for further information.) The information required in Columns 2 and 3 is only for loans paid off during the current period. The amount of any outstanding loans receivable or payable to related parties should be listed in Column 4.
Item 4: The information requested for purchases and services from related parties (contracted services, purchases of supplies, etc.) should be summarized in the space provided. Column 6 should be cost as reported in the related party’s cost report. The excess of the amount included in expense (Column 4) over the cost to the related party (Column 6) should be entered in the non-allowable expense column (Column 7). The total recorded expenses of Item 4 (Column 4) should be reconciled to the line items on Schedule I, where recorded in expense (see Schedule IV, lines 37-42). Note that each different related party listed should be supported by a separate Home Office cost report.

Part II requires additional information on related parties, including the ownership and employees and officers of the related entity as follows:

Item 1: This section summarizes all the related parties listed in Part I. The name of the related party (corporation, partnership, or individual) and provider number, if applicable, should be listed in columns 1 and 2. If the related party is a corporation or partnership, the stockholders or partners are required to disclose their names and ownership percentages in columns 3 and 4, respectively. If the related party is an individual, repeat the name from column 1 in column 3. A brief description of services provided should be included in column 6. Column 7 is for DCH use only and no information is required. Columns 8 and 9 should indicate the line number in Part I where it is listed as a related party transaction, and the dollar amount included in expenses per books, before any adjustment for the non-allowable portion. It will also be necessary to list in columns 10 and 11 any other services provided and an applicable provider number for those related parties which are also reimbursed through other Medicaid programs.

Item 2: The name(s) of the owner(s) (corporation, partnership or individual) of the Home Office and percentage owned should be listed in columns 1 and 2. If the owner is a corporation or partnership, stockholders or partners, their names and ownership percentages should be listed in columns 3 and 4, respectively. If the owner is an individual, the individual’s name should be re-entered in column 3 and the percent owned should be indicated in column 4, respectively. Columns 6 and 7 should detail the name and provider number of any nursing home in which the owning entity, the individual owners or their relatives (parent, spouse, child, grandparent, sibling, and in-law) have an interest. Attach a separate page, if necessary. It will also be necessary to list in columns 8 and 9 any other services provided (and an applicable provider number) by the owning entity or the individual owners which are reimbursed through other Medicaid program.

Item 3: Each employee or officer of the Home Office who (1) receives compensation and (2) is an owner (either directly or through beneficial interest) or a relative (as defined in instructions to Item 2 above) of an owner must be listed in this section. In addition, all director fees should be listed by individual and the total should agree with that on Schedule I. The total number of meetings attended by each director should be included in Column 8.

SCHEDULE V

Schedule V provides for a summary of all entities included in the Home Office group of entities. This list should include, not only Georgia facilities, but all facilities outside of Georgia. Further, any type of other operations (such as maintenance, leasing, etc.) included in the Home Office costs would be separately described on lines 41-45. The detail requirements are as follows:

Nursing Facilities:

Column 1: The name of each facility must be listed.

Column 2: The location (city/state) of each facility must be listed.

Column 3: The number of certified beds of each facility must be listed.
Column 4: Whether the facility is managed (versus owned) or not must be indicated by a yes or no answer.

Column 5: Whether the facility is owned (versus managed) or not must be indicated by a yes or no answer.

Column 6: The Provider Number of the facility must be listed.

Other than Nursing Facilities:

Column 1: The name of the entity must be listed. If the operation is not a separate company but is a separate division of the home office, list the name of the division, but indicate that it is a division in parentheses by the name.

Column 2: A description of the type of operation be provided. As an example, “maintenance services”, “equipment leasing”, etc.

Column 3: The location of this operation must be identified by providing the city and state.

Column 4: The Provider No., if applicable, must be listed.