

**9553.0041 GENERAL REPORTING REQUIREMENTS.**

Subpart 1. **Required cost reports.** No later than April 30 of each year, the provider shall submit an annual cost report on forms supplied by the commissioner in order to receive medical assistance payments. The reports must cover the reporting year ending December 31, except that for reporting years ending on or after December 31, 1987, a provider operating a facility that is attached to a nursing home that is reimbursed under parts 9549.0010 to 9549.0080 may elect to report the facility's costs and statistical information for the period covered by the nursing home's reporting year. If a certified audit has been prepared, it must be submitted with the cost report. In addition, a provider or provider group which has 48 or more licensed beds shall submit an annual certified audit of its financial records obtained from an independent certified public accountant or licensed public accountant. The examination must be conducted in accordance with generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants and generally accepted accounting principles. A government owned facility may comply with these auditing requirements by submitting the audit report prepared by the state auditor.

Subp. 2. **Required information.** A complete annual cost report must contain the following items:

A. General facility information and statistical data as requested on the cost report form.

B. Reports of historical operating costs and property related costs with supporting calculations and worksheets as requested on the cost report form.

C. The provider's balance sheet and income statement for each facility prepared in accordance with generally accepted accounting principles unless audited financial statements are required to be submitted according to subpart 1. If audited financial statements are required, the facility must submit a copy of its audited financial statements for the reporting year. The audited financial statements must include a balance sheet, income statement, statement of retained earnings, statement of changes in financial position, notes to the financial statements, and supplemental information, as required of an audit conducted in accordance with generally accepted auditing standards, and the certified or licensed public accountant's opinion. If the financial statements are not sufficiently detailed or the facility's fiscal year is different from the reporting year, the facility shall provide supplemental information that reconciles costs on the financial statements with the cost report.

D. A list of the provider's capital debts and working capital loans outstanding for each facility during the reporting year, the name of the lender, the term of the debt, the interest rate of the debt, interest and principal payments for the current year, and the original amount of each loan.

E. A schedule of the provider's funded depreciation account for each facility.

F. A statement of ownership for the facility, including the name, address, and proportion of ownership of each owner, or a statement that no changes have been made since the last cost report.

If a privately held or closely held corporation or partnership has an ownership interest in the facility, the facility must report the name, address, and proportion of ownership of all owners of the corporation or partnership who have an ownership interest of five percent or more, except that any owner whose compensation or portion of compensation is claimed for reimbursement in the facility's cost report must be identified regardless of the proportion of ownership interest.

If a publicly held corporation has an ownership interest of 15 percent or more in the facility, the facility must report the name, address, and proportion of ownership of all owners of the publicly held corporation who have an ownership interest of ten percent or more.

G. A list of all related organizations which included costs in the cost report in excess of \$1,000 annually, and a list of all facilities in the provider group.

H. Copies of purchase agreements and other documents related to purchase of the physical plant and land, or a signed statement that no changes have been made in the documents which are on file with the department.

I. Copies of leases and other documents related to the lease of the physical plant and land, or a signed statement indicating that no changes have been made in the documents on file with the commissioner. Lease documents must include information on the historical capital cost of the physical plant and land, and the information listed in item D as paid by the lessor.

J. Complete lapsing depreciation schedules calculated in accordance with part 9553.0060.

K. Charts showing staff assignments classified according to the cost categories in part 9553.0040. The charts must contain the information specified in the cost report form.

L. Documentation of costs included in the payment rate for approved services for very dependent persons with special needs under parts 9510.1020 to 9510.1140. These costs must be reported on an individual resident basis unless the special needs payment rate was approved for more than one resident.

M. An explanation of all adjustments made by the provider to the cost report and the applicable rule citations.

N. A breakdown of all costs included in the related organization's management fees or central, affiliated, or corporate office costs charged to the provider and the related organization's costs allocable to the facility in accordance with part 9553.0030. The

breakdown must contain all costs of items as listed in part 9553.0040, subpart 3 except that related organizations that have a federally approved cost allocation plan which has been documented by the provider, may break down the management fee or central office costs according to the approved plan. The supporting schedules must include the related organization's or the central, affiliated, or corporate office income statement; the cost allocated to each facility, related organization, or nonrelated organization; and an explanation of the method of allocation used.

Subp. 3. **Supplemental reports.** In order to substantiate the payment rate, the commissioner may require the provider to provide items A to E:

A. Except as provided in subpart 1, separate, certified audited financial statements, if they have been prepared, for each related organization which include costs in the cost report in excess of \$1,000 annually. If a certified audited financial statement is not available, then unaudited financial statements must be submitted for that entity. The commissioner may also require that the financial statements include a balance sheet, income statement, statement of retained earnings, statement of change in financial position, notes to the financial statements, and supplemental information as required of an audit conducted in accordance with generally accepted auditing standards.

B. Copies of purchase agreements, consultant contracts, and other documents related to the purchase or acquisition of equipment, goods, and services.

C. Copies of leases and other documents related to the lease of depreciable equipment, furnishings, and goods. Lease documents include information on the historical capital cost of the equipment, furnishings, and goods, and the information listed in subpart 2, item D as paid by the lessor.

D. Access to federal and state income tax returns for an individual, provider, or provider group having an ownership interest in the facility as specified in subpart 2, item F.

E. Other relevant information required to support a payment rate.

Subp. 4. **Method of accounting.** The accrual method of accounting in accordance with generally accepted accounting principles consistently applied is the only method acceptable for purposes of satisfying reporting requirements. If a government owned facility demonstrates that the use of the accrual method of accounting is not applicable to the facility, and that a cash or modified accrual method of accounting more accurately reports the facility's financial operations, the commissioner shall permit the provider to use a cash or modified accrual method of accounting.

Subp. 5. **Records.** The provider must maintain statistical and accounting records in sufficient detail to support the five most recent annual cost reports submitted to the commissioner.

Subp. 6. **Conflicts.** If conflicts occur between parts 9553.0010 to 9553.0080 and generally accepted accounting principles, then parts 9553.0010 to 9553.0080 shall prevail.

Subp. 7. **Certification of reports.** Required reports must be accompanied by a signed statement attesting to the accuracy of the information submitted on the required reports. The statement must be signed either by the provider or, for a partnership, one of the partners, or, for a corporation, the officer authorized to legally bind the firm. If reports have been prepared by a person other than the above individual, a separate statement signed by the preparer must also be included.

Subp. 8. **Deadlines, extensions, and rejections.** Items A to C govern deadlines, extensions, and rejection of reports.

A. The facility must submit the required annual cost reports to the commissioner by April 30. The annual cost report must cover the reporting year ending on December 31 of each year. A facility that terminates participation in the medical assistance program during a reporting year must submit the required annual cost report covering the period from January 1 of that reporting year to the date of termination. The annual cost report must be submitted within four months after termination.

B. The commissioner may reject any annual cost report filed by a facility that is incomplete or inaccurate or may require supplemental information according to subpart 3. The corrected report or the supplemental information requested must be returned to the commissioner within 20 days of the request or the report must be rejected. The commissioner shall extend this time if the facility submits a written request and if the extension of time will not prevent the commissioner from establishing rates in a timely manner. Except as provided in item C, failure to file the required cost report and other required information or to correct the form of an incomplete or inaccurate report shall result in the rejection of the cost report and in a reduction of the payment rate as specified in subpart 10. Except as provided in item C, failure to provide the additional information shall also result in a reduction in the payment rate as specified in subpart 10 unless the total payment rate can be calculated by the disallowance of the cost for which the additional information was requested, in which case no rate reduction as specified in subpart 10 shall occur.

C. Except for the copy of the lease agreement, failure to provide the information in subpart 2, item I and subpart 3, item C when the lessor refuses to provide the information shall not result in a reduction in the payment rate as specified in subpart 10 if the lease or rental agreement was arms-length in accordance with part 9553.0060, subpart 7, item B.

Subp. 9. **Effective date of total payment rate.** The commissioner shall provide notice to each facility of its total payment rate by September 1 of each year. The total payment rate is effective from October 1 of that year to September 30 of the following year.

Subp. 10. **Noncompliance.** A facility's failure to comply with reporting requirements subjects the facility to items A to C.

A. If a facility fails to provide reports, documentation, and worksheets required in this part, the commissioner shall reduce the facility's total payment rate to 80 percent of the total payment rate as provided in item B.

B. The reduced total payment rate is effective:

(1) 21 days after a written request for additional information under subpart 8, item B is sent by the commissioner, except when an extension has been granted pursuant to that subpart;

(2) for failure to provide the information required in subpart 1, 2, or 7, on April 30; or 21 days after a written request for the correction or completion of inaccurate reports or financial statements or at the expiration of such further time period as the commissioner may allow under subpart 8, item B.

C. Reinstatement of the total payment rate upon remedy of the failure or inadequacy is retroactive.

Subp. 11. **Audits.** Facility audits are subject to items A to C.

A. The department shall subject reports and supporting documentation to desk and field audits to determine compliance with parts 9553.0010 to 9553.0080. Retroactive adjustments may be made as a result of desk or field audit findings. If the audits reveal inadequacies in facility record keeping or accounting practices, the commissioner may require the facility to engage competent professional assistance to correct those inadequacies within 90 days of the written notification by the commissioner so that the field audit may proceed.

B. Field audits may cover the four most recent annual cost reports for which desk audits have been completed and payment rates have been established. The field audit must be an independent review of the facility's cost report. All transactions, invoices, or other documents that support or relate to the costs claimed on the annual cost reports are subject to review by the field auditor.

C. A field audit shall be completed within 90 days after commencement for a provider with a single facility or within 180 days for a provider group.

Subp. 12. **Suspension of audit.** The commissioner may suspend a field audit for good cause or if the provider's books and records are unavailable or unauditable. The commissioner shall notify the provider in writing when a field audit is suspended. If the field audit is suspended, the commissioner shall indicate in writing the date the field audit will again commence. If the field audit is suspended because the provider's books and records are unavailable or unauditable, the commissioner shall follow the procedures in subpart 11,

item A. The deadline for completion of the field audit must be extended by the length of the suspension.

Subp. 13. **Adjustments.** Adjustments to the total payment rate may be made as a result of desk or field audit findings or subject to part 9553.0050, subpart 3. Desk or field audit adjustments are made according to items A to G.

A. Field audit adjustments must be made only if the adjustment would result in at least a five cent per resident day or \$2,000 cost change, whichever is less.

B. Retroactive adjustments to the facility's total payment rate must be made as a result of desk and field audit findings, except that field audit adjustments shall be limited by the restrictions in item A.

C. If the adjustment results in a payment from the provider, payment must be made by the provider within 120 days after the date of the written notice. If the payment rate adjustment results in a payment to the provider, the medical assistance program payment to the provider must be made within 120 days after the date of the written notice. Interest charges must be assessed on balances outstanding after 120 days of written notification to the provider.

D. If an appeal has been filed under part 9553.0080, any payments owed by the provider or by the commissioner must be made within 120 days of the written notification to the provider of the commissioner's ruling on the appeal. Interest charges must be assessed on balances outstanding after 120 days of written notification of the commissioner's ruling on the appeal.

E. The annual interest rate charged in items C and D must be the rate charged by the commissioner of the Minnesota Department of Revenue for late payment of taxes, which is in effect on the 121st day after the written notification.

F. Any changes, adjustments, or amendments which result in a reimbursement to the facility shall be subject to the limitations in part 9553.0070, subpart 2.

G. Adjustments to the payment rate are limited to the four complete reporting years preceding the date on which an audit commences. Changes in the total payment rate which result from desk or field audit adjustments to cost reports for reporting years beyond the four most recent annual cost reports, must be made to the four most recent annual cost reports, the current cost report, and future cost reports to the extent that those adjustments affect the total payment rate established by those reporting years.

Subp. 14. **Amended reports.** Amendments to previously filed annual cost reports are governed by items A to E.

A. Facilities may file amendments to previously filed cost reports when errors or omissions in the annual cost report are discovered which would result in at least a five cent per resident day or \$2,000 adjustment, whichever is less for each reporting year.

B. The commissioner shall make retroactive adjustments to the total payment rate of an individual facility if the amendment is filed within 14 months of the original cost report to be amended. An error or omission for purposes of this item does not include a facility's determination that a prior choice between alternative methods of reporting costs permitted under the rules was not advantageous and should be changed. Errors or omissions which do not meet the threshold amount required for amended cost reports, or errors or omissions discovered after the 14-month time limitation specified herein, may be claimed at the time of the field audit.

C. Providers must not amend a previously filed cost report for the purpose of removing costs of services for which the facility seeks separate billing.

D. The amended cost report must consist of the corrected cost report pages resulting in the amendment and supporting documentation. The corrections or changes must be calculated according to parts 9553.0010 to 9553.0080.

E. Providers can file no more than two amendments to a previously filed cost report in which they have found errors or omissions.

Subp. 15. **False reports.** If a provider knowingly supplies inaccurate or false information in a required report that results in an overpayment, the commissioner shall do one or more of the following:

A. immediately adjust the facility's payment rate to recover the entire overpayment;

B. terminate the commissioner's agreement with the provider; and/or

C. prosecute under applicable state or federal laws.

Subp. 16. **Reporting real estate taxes, special assessments, and insurance.** The facility shall submit a copy of its statement of real estate taxes payable for the calendar year in which the rate year begins and a copy of the invoices for the real estate insurance and professional liability insurance for coverage during the rate year by June 30 each year. Except as provided in this subpart, the commissioner shall disallow the costs of real estate taxes, special assessments, real estate insurance, and professional liability insurance, if the documentation is not submitted by July 31. The disallowance shall remain in effect until the facility provides the documentation and amends the cost report under subpart 14. The

historical operating cost for the special operating costs during the reporting year must be shown on the cost report.

**Statutory Authority:** *MS s 256B.501*

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