2021 MEI Cost Report Training

Presented by HHSC Provider Finance Department

WELCOME

A few housekeeping notes

- Presentation was emailed to all registrants and will be available on the website: https://pfd.hhs.texas.gov/acute-care/mei-cost-report-information

- Listen to the presentation by:
  - Dialing in via your telephone – use the telephone number, access code, and audio pin found on the GoToWebinar window; or
  - Listen through your computer using the speakers

- If you experience difficulties please contact Go To Meeting Webinar Support at 1-800-263-6317 and email MEI@hhs.texas.gov

Housekeeping Notes Continued

- You must be registered for this session in order to get credit upon completion. It's not too late to register now!
- Training Credit is not guaranteed for those that register. HHSC considers several factors before training credit is awarded
- Training duration is approximately 3 hours
- Short breaks can be provided
- Must be present and attentive for entire training to obtain credit for FY 2021
- Should you receive an email from HHSC after the training, please ensure you respond quickly as obtaining credit could be affected.
- Please refrain from multi-tasking during the webinar; should you have dual monitors please send an email to HHSC after the training has ended.

MEI Cost Report Overview

- The reimbursement methodologies listed below require that all providers delivering services to Medicaid-eligible individuals who are eligible for services to submit an annual cost report to the Health and Human Services Commission (HHSC).
  - Mental Health (MH) Program
    - TAC §355.743 for Targeted Case Management (TCM)
    - TAC §355.781 for Rehabilitation Services
  - Early Childhood Intervention (ECI) Program
    - TAC §355.8421 for Targeted Case Management (TCM)
    - TAC §355.8422 for Specialized Skills Training (SST)
  - Individuals with Developmental Disabilities (IDD) Program
    - TAC §355.746 for Service Coordination

MEI Cost Report Overview

- The purpose of the MEI cost report is to capture the costs associated with providing certain Mental Health, Early Childhood Intervention and Intellectual Developmental Disability services.
- The costs recorded by MEI providers are then used to determine prospective rates for those MEI services.
- The cost data is also used to make appropriations requests and to obtain cost information for special circumstances and projects.
- MEI Cost Report Preparers must follow all state and federal laws, including CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200

MEI Cost Report Overview

- All MEI Cost Reports are prepared and submitted using a web-based system known as the State of Texas Automated Information Reporting System (STAIRS).
- The system is provided at no charge by the HHSC Provider Finance Department and its contractor, Fairbanks, LLC.
- In order to be granted access to prepare an MEI Cost Report in STAIRS preparers must complete cost report training.
  - In accordance with Title 1 of the Texas Administrative Code (TAC), section 355.102(d), attendance to an on-site classroom-based cost report training or successful completion of an online cost report training, whichever is applicable, is mandatory for all individuals who sign the Cost Report Methodology Certification as preparer.
  - It is the responsibility of each provider to ensure that each cost report preparer who signs the Cost Report Methodology Certification has received the Mandatory Cost Report Training Certificate(s) from the appropriate Texas Health and Human Services Commission (HHSC) training session. Cost report preparers may be employees of the provider or persons who have been contracted by the provider for the purpose of cost report preparation.
  - Cost report training is required every other year for the odd-year cost report in order for the preparer to be qualified to complete both that odd-year cost report and the following even-year cost report for the specific program(s) for which the certificate(s) was received.
    - Preparers must complete cost report training for every program for which a cost report is submitted.

MEI Cost Report Overview

To properly complete a cost report:

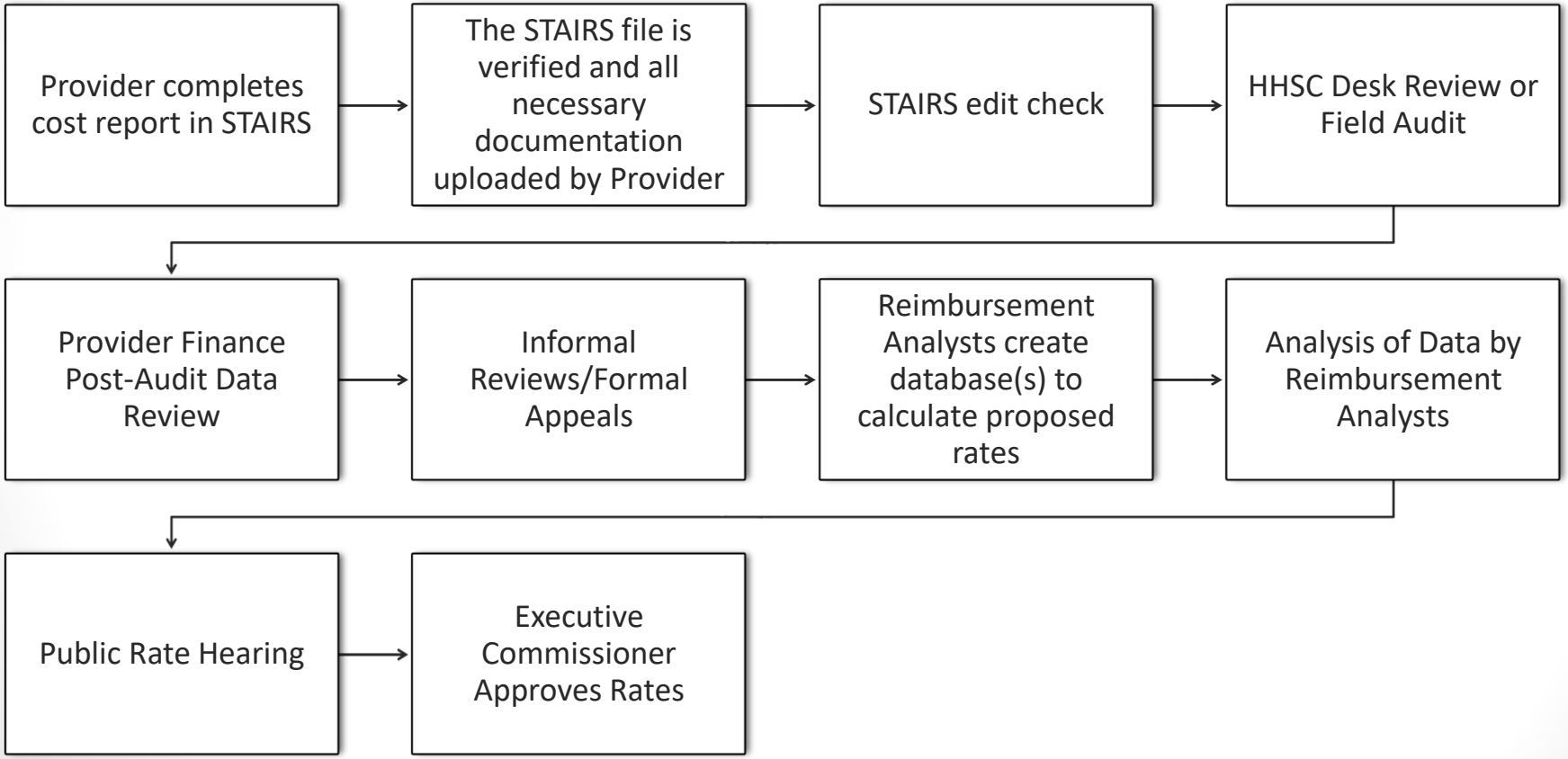
- Read the current year's Cost Report Specific Instructions;
- Gather all required documentation;
- Review General Ledger for unallowable costs and classification errors;
- Develop work papers that clearly reconcile between the provider's fiscal year end trial balance and the amounts reported on the Cost Report;
- Complete all required allocations;
- Maintain all documents/worksheets, etc. in one centralized location with a copy of the cost report;
- Complete Steps in order, where required;
- Transfer values from your allocation worksheets and reconciliations to cost report items in STAIRS;
- If report is being used for enhancement purposes, complete enhancement worksheets;
- Check work for errors.

MEI Rates

- Much of the information requested in the MEI Cost Report is reported by providers in other reports.
  - These reports are not HHSC cost reports, are not available to HHSC Provider Finance staff, and often include data that is not relevant for rate setting purposes.
- The MEI Cost Report allows providers to submit a single cost report that incorporates the cost data for all three MEI programs and can be used by HHSC Provider Finance staff to set prospective rates.

MEI Rates

How a Cost Becomes a Rate



MEI Rates

- The current payment rates for MH Targeted Case Management services are:

Service	TMHP Procedure Code	Modifier1	Modifier2	Rate	Unit	Effective Date
TCM - Routine case management (adult)	T1017	TF		$19.83	15 Min.	4/1/2017
TCM - Routine case management (child and adolescent)	T1017	TF		$24.07	15 Min.	4/1/2017
TCM - Intense case management (adult and adolescent)	T1017	TG		$31.69	15 Min.	4/1/2017

- More information regarding MH Targeted Case Management services can be found at: https://pfd.hhs.texas.gov/acute-care/targeted-case-management-mental-health

MEI Rates

- The current payment rates for MH Rehabilitation Services are:

Service	TMHP Procedure Code	Modifier1	Modifier2	Rate	Unit	Effective Date
Adult Day Program for Acute Needs	G0177			$24.32	45-60 Min.	9/1/2011
Crisis Intervention Services	H2011			$36.89	15 Min.	4/1/2017
Medication Training and Support - Individual	H0034			$13.53	15 Min.	4/1/2017
Medication Training and Support - Group - Adult	H0034	HQ		$2.71	15 Min.	4/1/2017
Medication Training and Support - Group - Child	H0034	HQ		$3.38	15 Min.	4/1/2017
Psychosocial Rehabilitative Services - Individual	H2017			$26.93	15 Min.	9/1/2011
Psychosocial Rehabilitative Services - Group	H2017	HQ		$5.39	15 Min.	9/1/2011
Skills Training and Development - Individual	H2014			$25.02	15 Min.	4/1/2017
Skills Training and Development - Group	H2014	HQ		$5.00	15 Min.	4/1/2017
Skills Training and Development - Group - Child	H2014	HQ		$6.26	15 Min.	4/1/2017

- More information regarding MH Rehabilitation Services can be found at: https://pfd.hhs.texas.gov/acute-care/rehabilitation-services-mental-health

MEI Rates

- The current payment rates for ECI Case Management services are:

Service	Procedure Code	Modifier	Maximum Rate	Units	Effective Date
Case Management for ECI - Face to Face	T1017	U1	$32.91	15 Minutes	10/01/2011
Case Management for ECI - Telephone Contact	T1017		$26.39	15 Minutes	10/01/2011

- More information regarding ECI Case Management can be found at: https://pfd.hhs.texas.gov/acute-care/early-childhood-intervention-case-management

MEI Rates

- The current payment rates for ECI Specialized Rehabilitation Services are:

Service	Procedure Code	Modifier	Maximum Rate	Units	Effective Date
Specialized Skills Training (SST) - Individual	T1027	U1	$31.63	15 Minutes	10/01/2011
Specialized Skills Training (SST) - Group	T1027		$7.91	15 Minutes	10/01/2011

- More information regarding ECI Specialized Rehabilitation Services can be found at: https://pfd.hhs.texas.gov/acute-care/early-childhood-intervention-specialized-rehabilitative-services

MEI Rates

- The current payment rates for IDD Service Coordination are:

Service	Procedure Code	Modifier	Rate	Unit	Effective
Service Coordination - Comprehensive encounter (Encounter - Type A)	T1017		$92.80	Encounter	09/01/2011
Service Coordination - Follow-up encounter (Encounter - Type B)	T1017	KX	$30.00	Encounter	09/01/2011

- More information regarding IDD Service Coordination can be found at: https://pfd.hhs.texas.gov/acute-care/individuals-intellectual-and-developmental-disability-service-coordination

Cost Allocation

The entities that provide MEI services often also provide other Medicaid services to clients. In order to avoid including the costs associated with non-MEI services provided by an entity, cost allocation must be used.

- As required by Center for Medicare & Medicaid Services, if the provider has a federally approved indirect cost rate approved by the U.S. Department of Health & Human Services Division of Cost Allocation then the provider is required to utilize that federally approved indirect cost rate.

- If the provider does not have a federally approved indirect cost rate, then the provider must submit a cost allocation plan approved by the cognizant agency. The purpose of a cost allocation plan is to summarize, in writing, the methods and procedures that the organization will use to allocate costs to various programs, grants, contracts and agreements.

- If the provider does not have a cost allocation plan approved by the cognizant agency, the provider can submit their cost allocation plan with their eligibility submission for approval by HHSC PFD.
  - HHSC PFD obtains this during the eligibility process and informs you if your method is appropriate for cost report allocation.

Cost Allocation

- If cost allocation is necessary for cost-reporting purposes, providers must use reasonable methods of allocation and must be consistent in their use of allocation methods for cost-reporting purposes across all program areas and business entities.

  A. The allocation method should be a reasonable reflection of the actual business operations. Allocation methods that do not reasonably reflect the actual business operations and resources expended toward each unique business entity are not acceptable. Allocated costs are adjusted if HHSC considers the allocation method to be unreasonable. An indirect allocation method approved by some other department, program, or governmental entity is not automatically approved by HHSC for cost-reporting purposes.

  B. HHSC reviews each cost-reporting allocation method on a case-by-case basis in order to ensure that the reported costs fairly and reasonably represent the operations of the provider. If in the course of an audit it is determined that an existing or approved allocation method does not fairly and reasonably represent the operations of the provider, then an adjustment to the allocation method will be made. A contracted provider may request an informal review, and subsequently an appeal, of a decision concerning its allocation methods in accordance with §355.110 of this title (relating to Informal Reviews and Formal Appeals).

  C. Any allocation method used for cost-reporting purposes must be consistently applied across all contracted programs and business entities in which the contracted provider has an interest.

- For adequate documentation purposes, a written description of each cost allocation method must be maintained that includes, at a minimum, a clear and understandable explanation of the numerator and denominator of the allocation ratio described in words and in numbers, as well as a written explanation of how and to which specific business components the remaining percentage of costs were allocated.

Cost Allocation

Cost Allocation – Direct Cost

Direct costs are those that can be identified specifically with a particular final cost objective. Direct costs chargeable to Federal awards are:

- Compensation of employees for the time devoted and identified specifically to the performance of those awards.
- Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
- Equipment and other approved capital expenditures.
- Travel expenses incurred specifically to carry out the award.

Direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

Cost Allocation

Cost Allocation – Central Office

Administrative costs are indirect costs produced by administrative functions. Administrative Costs can be directly charged or shared. If these costs are shared, they are considered central office costs and must be allocated. Administrative functions include:

- General Administrative Oversight
- Central Management
- Personnel Functions
- Accounts Payable
- Accounts Receivable
- General Ledger Accounting Functions
- Risk Management Functions
- Financial Statement Functions
- Payroll Functions
- Benefit Management Functions
- Purchasing Functions
- Any other Administrative-Type Function

Cost Allocation

Cost Allocation – Central Office (continued…)

Costs related to the administrative functions include:

- salaries/wages
- payroll taxes
- employee benefits
- supplies
- office space
- operations costs

Cost Allocation

Cost Allocation – Indirect Cost

Indirect costs are incurred costs identified that have two or more cost objectives, but are not specifically identified with any final cost objective. These shared costs may include:

- Building/facility rent or lease
- Utilities costs
- Telecommunications costs
- Administrative staff salaries/wages
- Advertising expenses
- Travel expenses

Cost Allocation

HHSC PFD Approved Allocation Methods: *Labor Costs*

Labor Costs - All of a provider's contracts are labor intensive, or all contracts have a programmatic or residential-building cost, or contracts are mixed with some being labor intensive and others having a programmatic-building or residential-building component.

Allocation is based upon the ratio of directly charged labor costs for each contract to the total directly charged labor costs for all contracts.

The Five Cost Components of the Labor Costs Allocation Method:

1. Salaries/Wages
2. Payroll taxes
3. Employee benefits/insurance
4. Workers' compensation costs
5. Contracted labor (excluding consultants)

Cost Allocation

HHSC PFD Approved Allocation Methods: *Labor Costs*

Finding the allocation percentage using the **Labor Costs** Method:

- Total of the five cost components for all contracts = 100%
- Divide each contract's labor costs by the total labor costs for all contracts. The result is a percentage for each contract
- Apply the resulting percentages to the total indirect shared costs

Allocation Summary - Labor Cost Method

Adjusted Trial Balance - We Care

As of 12/31/XX

Expenses:	Total Costs	Disallowed	Direct HCS	Direct ICF/IID	Direct CBA	Shared Costs	Allocated Shared Costs 43.04% HCS	30.36% ICF/IID	26.60% CBA
Salaries									
Administrative	125,347.28					125,347.28	53,946.59	38,054.21	33,346.48
HCS Attendants & NonAttendants	87,434.22		87,434.22			-			
ICF/IID Attendants & NonAttendants	65,238.41			65,238.41		-			
CBA Attendants	54,975.15				54,975.15	-			
Supervisors	33,254.88		13,528.48	9,467.85	10,258.55				
Contracted RN	4,572.08	Labor	4,572.08		-	-			
Consultants	2,500.00	Costs				2,500.00	1,075.94	758.98	665.08
FICA/Medicare	28,018.12		8,073.41	5,715.03	4,990.38	9,239.30	3,976.38	2,804.96	2,457.96
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	686.79	484.47	424.53
Employee Benefits	4,847.25		1,254.01	889.47	1,358.41	1,345.36	579.01	408.44	357.91
Workers' Compensation	0.00		0	0	0		0.00	0.00	0.00
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	860.75	607.18	532.07
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	855.56	603.52	528.85
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	739.54	521.68	457.14
Office Supplies	1,501.80					1,501.80	646.34	455.93	399.53
Medical Supplies	874.64				487.39	387.25	166.66	117.57	103.02
Insurance - Malpractice	1,050.87					1,050.87	452.27	319.03	279.57
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.55	2.51	2.20
Advertising	402.87	104.97				297.9	128.21	90.44	79.25
Miscellaneous	601.47	254.74				346.73	149.22	105.26	92.24
Totals	438,553.35	564.36	122,627.82	87,361.70	78,672.64	149,326.83	64,266.84	45,334.17	39,725.82

Labor Method Allocation Percentages:	Labor Costs	Percentage
Total HCS	117,386.27	43.04%
Total ICF/IID	82,804.89	30.36%
Total CBA	72,561.00	26.60%
	272,752.16	100.00%

Cost Allocation

HHSC PFD Approved Allocation Methods: *Total-Cost-Less-Facility-Cost*

The Total-Cost-Less-Facility-Cost allocation method can be used if a provider's contracts are mixed – some being labor-intensive and others having a programmatic or residential building component

This method can also be used for an organization that has multiple contracts all requiring a facility for service delivery

This method allocates costs based upon the ratio of each contract's total costs less that contract's facility or building costs to the provider's total costs less facility or building costs for all contracts

Cost Allocation

HHSC PFD Approved Allocation Methods: *Total-Cost-Less-Facility-Cost*

The facility costs that are required to be removed from the total costs are:

- Maintenance staff costs
- Building/Facility lease/rental costs
- Building/Facility equipment costs
- Insurance costs (buildings, contents, grounds)
- Mortgage interest costs
- Other facility/operations interest costs
- Ad valorem real estate tax
- Utilities costs (electricity, gas, water, wastewater, and garbage disposal)
- Maintenance and repairs costs (buildings, building, equipment, grounds)
- Contract services costs (building/facility/operations)
- Depreciation/Amortization costs

Cost Allocation

HHSC PFD Approved Allocation Methods: *Total-Cost-Less-Facility-Cost*

Finding the allocation percentage using the Total-Cost-Less-Facility-Cost Method:

- The total-cost-less-facility-cost for all contracts = 100%
- Divide each contract's total-cost-less-facility-cost by the total-cost-less-facility-cost for all contracts. The result is a percentage for each contract
- Apply the resulting percentages to the total indirect shared costs

Allocation Summary - Total Cost Less Facility Cost

Adjusted Trial Balance

As of 12/31/xx

As of 12/31/xx						Allocated Shared Costs	
			Direct	Direct	Shared	59.33%	40.67%
Expenses:	Total Costs	Disallowed	HCS	ICF/IID	Costs	HCS	ICF/IID
Salaries							
Administrative	125,347.28				125,347.28	74,368.54	50,978.74
Attendants	157,288.47		87,434.22	69,854.25			
Supervisors	33,254.88		25,458.97	7,795.91			
Contracted RN	4,572.08		2,712.62	1,859.46	-	-	-
Consultants	2,500.00				2,500.00	1,483.25	1,016.75
FICA/Medicare	24,165.63		8,843.84	6,082.49	9,239.30	5,481.68	3,757.62
State & Federal Unemployment	5,686.03		2,822.33	1,553.00	1,310.70	777.64	533.06
Employee Benefits	4,847.25		1,254.01	889.47	2,703.77	1,604.15	1,099.62
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,669.85	1,830.15
Utilities	8,945.67	Facility	2,385.51	2,087.32	4,472.84	2,653.73	1,819.10
Ad Valorem Taxes	3,256.88	Costs	842.64	1,834.64	579.6	343.88	235.72
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	331.55	227.27
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,348.41	924.32
Office Supplies	1,501.80				1,501.80	891.02	610.78
Medical Supplies	874.64				874.64	518.92	355.72
Insurance - General Liability	1,254.00				1,254.00	744	510
Insurance - Malpractice	1,050.87				1,050.87	623.48	427.39
Travel	387.98	237.65	54.36	35.74	60.23	35.73	24.5
Advertising	402.87	104.97			297.9	176.74	121.16
Miscellaneous	601.47	254.74			346.73	205.71	141.02
Totals	389,792.70	597.36	134,856.44	95,467.70	158,871.21	94,258.29	64,612.92

Total Costs-Less-Facility-Costs Allocation Percentages:

	HCS	ICF/ID	Totals
Total Costs	134,856.44	95,467.70	230,324.14
Facility Costs	-5,874.40	-7,063.63	-12,938.03
Total Costs Less Facility Costs	128,982.04	88,404.07	217,386.11
Allocation Percentages	59.33%	40.67%	

Cost Allocation

HHSC PFD Approved Allocation Methods: *Functional Allocation Methods*

Any function benefiting more than one contract must have all costs associated with that shared function properly allocated across all the contracts receiving its benefit.

Costs to be allocated using functional allocation methods could include but are not limited to:

- Housekeeping
- Laundry
- Maintenance
- Wastewater treatment plant
- Security
- Activities
- Transportation
- Departmental equipment
- Various administrative functions

Cost Allocation

HHSC PFD Approved Allocation Methods:
Functional Allocation Methods - Square Footage

When a building is shared and usage is separate and distinct for each contract, the building costs should be identified and then allocated based upon square footage.

Expenses to be allocated based upon square footage:

- Rent/Depreciation
- Mortgage Interest
- Utilities
- Maintenance
- Property Taxes
- Insurance

Telecommunications, Transportation and Departmental Equipment cannot be allocated based on square footage.

Cost Allocation

Allocation Summary Documentation

- Adequate documentation consists of a written description of each cost allocation method that includes the following:
  - A listing of the various cost categories to be allocated
  - The numerator and denominator of the allocation ratio in numbers and words
  - Allocation percentages calculated with at least two decimal places
  - The total dollar amount of shared costs for each category
  - The application of the allocation percentages showing 100% allocation of shared costs
  - The cost report line number on which each allocated cost is reported

Cost Allocation

Adjusted Trial Balance - John's Company, Inc.
As of 12/31/20XX

Expenses:	Total Costs	Disallowed	Direct Costs A	Direct Costs B	Shared Costs	Allocated Shared Costs 57.22% A	Allocated Shared Costs 42.78% B	Line Item A	Line Item B
Salaries									
Administrative	125,347.28				125,347.28	71,723.71	53,623.57	xxx	xxx
"A" Attendants	87,434.22		87,434.22		-	-	-	xxx	xxx
"B" Attendants	33,254.88			33,254.88	-	-	-	xxx	xxx
"B" Drivers	25,492.12			25,492.12	-	-	-	xxx	xxx
Contracted Nurse	9,482.66			9,482.66	-	-	-	xxx	xxx
FICA/Medicare	18,821.78		8,843.84	5,219.57	4,758.37	2,722.74	2,035.63	xxx	xxx
State & Federal Unemployment	4,428.65		2,822.33	665.10	941.23	538.57	402.66	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,547.10	1,156.67	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,574.90	1,925.10	xxx	xxx
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,559.36	1,913.48	xxx	xxx
Ad Valorem Taxes	3,256.88		842.64	1,834.64	579.60	331.65	247.95	xxx	xxx
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	319.76	239.06	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,300.46	972.27	xxx	xxx
Office Supplies	1,501.80				1,501.80	859.33	642.47	xxx	xxx
Medical Supplies	874.64				874.64	500.47	374.17	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	717.54	536.46	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	601.31	449.56	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	34.46	25.77	xxx	xxx
Advertising	402.87	104.97			297.90	170.46	127.44	xxx	xxx
Miscellaneous	601.47	254.74			346.73	198.40	148.33	xxx	xxx
Totals	341,239.93	597.36	106,684.84	82,436.92	151,520.81	86,700.21	64,820.60		

Total Costs-Less-Facility-Costs Allocation Percentages:

	A	B	Totals
Total Costs	106,684.84	82,436.92	189,121.76
Less Facility Costs	5,874.40	7,063.63	12,938.03
Total Costs Less Facility Costs	100,810.44	75,373.29	176,183.73
Allocation Percentages	57.22%	42.78%	100.00%

Time Sheets/Time Study

Time sheets are the most accurate method of allocating salary expense. Time sheets should be submitted by all employees for each pay period. The salary for the period is then allocated to the various functions based upon the resulting percentages.

- Time sheets can also be used to monitor vacation, holiday, and sick leave.
- All time sheets must be approved by a supervisor. If any changes are made, approval should also be noted on the actual time record.
- Fringe benefits and payroll taxes can be allocated based upon the time allocations.
- The organization's overhead expenses are allocated using these percentages.
- The allocations must be reviewed periodically to verify the accuracy of the entries.

Time Sheets/Time Study

Time sheets should be maintained by staff whose duties include:

- Multiple direct service types;
- Both direct and indirect service component types; and/or
- Both direct hands-on support and first-level supervision of direct care workers.

Timesheets should include a continuous record of time on a daily basis throughout the entire reporting period in order to directly charge ALL hours worked in each job function and activity for an entity.

Time Sheets/Time Study

Time studies are acceptable only for allocating costs associated with administrative staff that perform multiple administrative functions across contracts.

HHSC is allowing an option only for the Early Childhood Intervention providers not participating in any other HHSC program to utilize a time study (statistical sample) as referenced in §355.105(b)(2)(B)(i) for the purpose of allocating cost associated with direct service staff performing multiple direct service functions across contracts.

Time Sheets/Time Study

- To be acceptable, the minimum time span a time study can cover is 4 weeks per year, with one week randomly selected from each quarter.
- Time studies can be performed for one continuous week during a quarter, or can be performed over five or seven individual days throughout the quarter.

Depreciation

The purpose of depreciation is to apply the expense portion of an asset that relates to the revenue generated by the asset. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use.

Depreciation is the periodic reduction of the value of an asset over its useful life or the recovery of an asset's cost over its useful life.

Amortization is the periodic reduction of the value of an intangible asset, such as a trademark or patent, or debt over its useful life.

Depreciation

The computation of depreciation or use allowances to ensure its classification and estimated useful life is accurate is based on the following:

- Allowable cost specific to the program
- Historical cost
- Date of purchase
- Depreciable basis
- Use of values consistent with "Estimated Useful Lives of Depreciable Hospital Assets," published by the American Hospital Association

The following must be accessible in a field audit for each depreciable asset

- Estimated useful life
- Accumulated depreciation
- Calculation of gains and losses upon disposal

Depreciation

For DHS contracted providers:

- For purchases made after the beginning of the contracted provider's fiscal year 1997, an asset valued at $1,000 or more and with an estimated useful life of more than one year at the time of purchase must be depreciated or amortized, using the straight line method.
- For purchases made after the beginning of the contracted provider's fiscal year 2004, an asset valued at $2,500 or more and with an estimated useful life of more than one year at the time of purchase must be depreciated or amortized, using the straight line method.
- For TDMHMR contracted providers: for purchases made after the beginning of the contracted provider's fiscal year 1997, an asset valued at $2,500 or more and with an estimated useful life of more than one year at the time of purchase must be depreciated or amortized, using the straight line method.

For all contracted providers:

- For purchases made after the beginning of the contracted provider's fiscal year 2015, an asset valued at $5,000 or more and with an estimated useful life of more than one year at the time of purchase must be depreciated or amortized, using the straight line method.

TAC Rule §355.103(b)(2)

Depreciation

In determining whether to expense or depreciate a purchased item:

- A contracted provider may expense any single item costing less than the capitalization level for that fiscal period as described above or having a useful life of one year or less.
- Depreciation and amortization expenses for unallowable assets and costs are also unallowable, including amounts in excess of those resulting from the straight line method, capitalized lease expenses in excess of actual lease payments, and goodwill or any excess above the actual value of physical assets at the time of purchase.

TAC Rule §355.103(b)(2)

Depreciation

Ground Transportation – Mileage Logs

Required If:

- Equipment is used for several purposes (including personal use**) or multiple programs or contracts

** Personal use includes, among other things, driving to and from a personal residence

Not Required If:

- Used solely (100%) for provision of contracted client services delivering ONE type of contracted care or contract

- Provider has a written policy that states that the equipment is restricted to that use and the policy is followed

Depreciation

Ground Transportation – Mileage Logs

Minimum elements:

- Date
- Driver
- Persons in vehicle
- Trip Mileage (beginning, ending and total)
- Purpose of trip
- Allocation Centers (departments, business entities)

Depreciation

Ordinary Maintenance, Operation and Repairs

- Cost of utilities, upkeep of grounds, necessary maintenance, recurring repairs, normal repairs and alterations, and the like are allowable to the extent that they:
  - Keep the property in an efficient operating condition;
  - Do not add to the permanent value of property or appreciably prolong its intended life; and
  - Are not otherwise included in other charges for space or contract.
- Examples - painting, wall papering, copy machine repair, vehicle tune up and oil changes.
  - **EXPENSE AS INCURRED**

Depreciation

Extraordinary Maintenance, Operations, and Repairs

Cost which add to permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures. The following extraordinary repairs and alterations not normally recurring usually increase the value of an asset:

- Replacing a roof and strengthening the foundation of a building
- Vehicle overhauls
- Strengthening the foundation of a building

Cost which add to permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures.

Depreciation

Documentation

- Each depreciable item must be reported individually. Items should not be combined under generic descriptions such as “various” or “equipment.”
- Detail data is required for each item reported. The data is used to auto-calculate the item’s depreciation.
  - Years of Useful Life is pre-programmed for each type of depreciable asset that can be reported.
  - The annual cost report will auto-update a depreciable item’s “Prior Period Accumulated Depreciation” each year until the item has reached the end of its useful life.

Depreciation

Unallowable Depreciation/Amortization

- Depreciation and amortization for unallowable assets.
- Amounts in excess of those using the straight-line method.
- Inconsistent reporting of depreciation (expensing one year and depreciating the following year).
- Expensing an asset that is required to be depreciated, resulting in overstating an expenditure for the period the asset is in use.
- Planning/evaluation expenses for depreciable assets not purchased and used in contracted services.
- Not applying disposal of asset value to obtain the net reportable amount for the year.
- Goodwill.

MEI Training

<u>10 Minute Break</u>

MEI Cost Report

- All MEI Cost Reports are submitted using an automated web-based application known as the State of Texas Automated Information Reporting System (STAIRS).
- STAIRS is provided at no charge by the HHSC Provider Finance Department and its contractor, Fairbanks, LLC.
- The first person at a contracted provider to receive access to STAIRS is the Entity Financial Contact (Primary)
  - Notification of access, and of the login and password, will be by e-mail to the e-mail address maintained in STAIRS.
- In order to fully submit its cost report, an entity must complete Steps 1 through 11a of the cost report.
  - If a provider submits any other cost reports to HHSC using STAIRS for another program aside from MEI, the other cost reports must also be completed in order for the MEI cost report to be considered completed and submitted.

MEI Cost Report

Step 1 – Combined Entity Identification

1. Combined Entity Identification

Key: Adjusted Flagged Cleared

Read only view.

Last Verified by HHSC RAD on 08/05/2014 10:17 AM

Return

Combined Entity Identification

Phone: 512-707-6085
Fax: 512-707-6085
Street Address: 4900 N. Lamar , Austin, TX 78751
Mailing Address: 4900 N. Lamar , Austin, TX 78751

View Information

Entity Contact Identification

Name: Ray Wilson
Job Title: Director
Entity Name: HHSC RAD
Email: ray.wilson@hhsc.state.tx.us
Phone: 512-491-1360
Fax: 512-491-1998
Mailing Address: 11209 Metric Blvd , Austin, TX 78758

View Information

Financial Contact

Name: Judy Myers
Job Title:
Entity Name:
Email: judy.myers@hhsc.state.tx.us
Phone: 512-707-6085
Fax: 512-730-7475
Mailing Address: 4900 N. Lamar , Austin, TX 78753

View Information

Report Preparer Identification

Name: Ross Test
Job Title: Director
Entity Name: HHSC RAD
Email: rtest@test.com
Phone: 123-456-7890
Fax:
Mailing Address: 99 TEST St , TEST, TX 60111

View Information

Location of Accounting Records that Support this Report

Primary Physical Address: 4900 North Lamar Mail Code H-400, Austin, TX 78751

View Information

Where would you like future correspondence sent?

Combined Entity

Return

MEI Cost Report

Step 2 – General Information

2. General Information

Key: Adjusted Flagged Cleared

Read only view.

Last Verified by HHSC RAD on 02/25/2014 2:16 PM

The report period beginning and ending dates have been established by HHSC and cannot be edited by the cost report preparer. If you have questions about these dates or believe they are not correct please contact the HHSC Rate Analysis Department at 512-707-6087.

Return

Combined Entity Report Period Beginning (mm/dd/yyyy) *	01/01/2013
Combined Entity Report Period Ending (mm/dd/yyyy) *	12/31/2013

Do you request to aggregate by program those contracts held by this Combined Entity which participated in the Attendant Compensation Rate Enhancement for the purpose of determining compliance with spending requirements? Indicate below by applicable program.

CBA *	Yes
CLASS DSA *	Yes
PHC *	Yes
ICF/ID *	Yes
HCS/TxHmL *	No

Return

MEI Cost Report

Step 3. Contract Management

- a. Verify Contracts for Requested Cost Reports
  - This list carries over from year to year. It is a list of all program contracts/component codes operated by the provider's combined entity. For each contract/component code, the preparer must indicate in the left-most column whether the component code was active during the entire cost report period. If the answer to this question for a specific component code is "No", then an explanation must be entered in the Note column.
  - The entity will be required to submit a cost report for each of the contracts listed in Step 3a.

- b. Enter Other Business Components (Other Contracts, Grants or Business Relationships with the State of Texas or any other entity, or other funding sources)
  - This list carries over from year to year. It is a list of all Texas and out-of-state business relationships in which the contracted provider is involved. For each contract, grant or business, the preparer must indicate in the left-most column whether the contract, grant or business was active during the entire cost report period. If the answer to this question for a specific contract, grant or business relationship is "No", then an explanation must be entered in the Note column.
  - A preparer can add, edit or delete items from this list. Any changes to this list will trigger changes to the cost report(s) for any other component code(s) controlled by the provider's combined entity. If these other cost reports are being completed by a different preparer, STAIRS will automatically send an e-mail to that preparer informing them of the change. If these other cost reports have already been submitted, STAIRS will un-certify them and require recertification by the other preparer.

- c. Verify Business Component Summary
  - This screen lists all contracts, component codes, grants and business entities contained in either of the two items above. Preparers must answer the question at the bottom of the page in order to clear the Stop Sign for this section. The question "Are there any other contracts, grants, or business relationship with the State of Texas, or with any other business entities not included in the summary table above?" must be answered either "Yes" or "No". An answer of "Yes" will take the preparer to the ***Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity*** Screen described in the item above.

MEI Cost Report

Step 4. General Information

From this point forward in the cost report, all requested information must be reported based on the contracting entity and program for which the cost report is being prepared.

Step 4. General Information - Line Item/Question	Instructions
Type of Ownership of Contracting Entity	Identify the type of ownership of the provider contracting entity from the list.
Contracted Provider Report Period Beginning (mm/dd/yyyy)	Report the beginning and ending dates for the contracted provider's reporting period for the component code for which the cost report is being completed. If at least one contract under the provider's component code was active for the provider's entire fiscal year ending in 2018, the reporting period should be equal to the provider's fiscal year. If the provider's cost reporting period does not consist of a full year provide an explanation as to why it is less than a full year in the Explanation Box.
Contracted Provider Report Period Ending (mm/dd/yyyy)	
Was an accrual method of accounting used for reporting all revenues, expenses, and statistical information on this report except for where the instructions require otherwise?	Check either "Yes" or "No". If "No", provide a reason in the Explanation Box.
Did the preparer(s) of this report review the most recently received audit adjustments and make the necessary revisions when preparing this report?	Click either "Yes" or "No". If the answer is "No", provide an Explanation. Each provider should review the most recent cost report audit results (desk review or field audit) and make any necessary changes to the current cost reports. (Refer to 1 TAC §355.107.)

MEI Cost Report

Step 4. General Information….continued

Step 4. General Information - Line Item/Question	Instructions
Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report? If No, please provide an explanation.	Check either “Yes” or “No”. Each provider must maintain reconciliation work papers and any additional supporting work papers (such as invoices, canceled checks, tax reporting forms, allocation spreadsheets, financial statements, bank statements, and any other documentation to support the existence, nature, and allowability of reported information) detailing allocation of costs to all contracts/grants/programs/business entities. In order to facilitate the audit process, it is recommended that the cost report preparer attach a reconciliation worksheet, with its foundation being the provider’s year-end trial balance.
Are you reporting Central Office expenses in this Cost Report?	Check either “Yes” or “No”. If “Yes” is checked, then the Central Office Allocation Methodology must be uploaded to the report.
Are you reporting any allocated Non-Central Office Program Administration expenses?	Check either “Yes” or “No”. If “Yes” is checked, then the Non-Central Office Program Administration Allocation Methodology must be uploaded to the report.

MEI Cost Report

Step 5. Units of Service and Revenue

In this step the preparer will enter the Medicaid units of service by program, service type, Non-Medicaid units of service by program and service type, and MCO units by program and service type. The data should be reported based on the date of service provision and not by the date revenues were received, on an accrual basis.

Non-Medicaid units include services provided for which the provider was not entitled to reimbursement from the Medicaid programs. The units may not be reimbursable due to improper documentation, not having been properly billed before the billing cut-off, provided to a person who was not Medicaid eligible at the time of service provision or for some other reason.

The MEI Cost Report was designed in part to collect data to set FFS rates. Only Medicaid FFS units should be reported under Medicaid. Services provided by MCOs, although funded by Medicaid, would not be considered Medicaid units and should be reported under MCO Units.

5. Units of Service and Revenue

Please enter and verify the information below

DO NOT include any units of service that were provided outside the reporting period for this report of 01/01/2018 through 12/31/2018 or appropriate fiscal year.

Save | Save and Return | Cancel

	Units of Service			Revenue	
Service Description	Medicaid Units	MCO Units	Non-Medicaid	MCO Revenue	Non-Medicaid
Early Childhood Intervention Targeted Case Management - Face to Face				$	$
Early Childhood Intervention Targeted Case Management - Telephone Contact				$	$
Early Childhood Intervention Specialized Skills Training - Individual				$	$
Early Childhood Intervention Specialized Skills Training - Group				$	$
Targeted Case Management - Routine (Adult)				$	$
Targeted Case Management - Routine (Child and adolescent)				$	$
Targeted Case Management - Intensive (Child and adolescent)				$	$
Adult Day Program for Acute Needs				$	$
Crisis Intervention				$	$
Medication Training and Support - Individual				$	$
Medication Training and Support - Group - Adult				$	$
Medication Training and Support - Group - Child				$	$
Psychosocial Rehabilitative Services - Individual				$	$
Psychosocial Rehabilitative Services - Group				$	$
Skills Training and Development - Individual				$	$
Skills Training and Development - Group - Adult				$	$
Skills Training and Development - Group - Child				$	$
Service Coordination - Comprehensive encounter (Encounter - Type A)				$	$
Service Coordination - Follow-up encounter (Encounter - Type B)				$	$
TOTAL	0.00	0.00	0.00	$0	$0

MEI Cost Report

Step 6. Wages and Compensation

In **Step 6**, preparers will need to answer several questions regarding staffing and insurance benefits/costs, and then will have to report wage and benefits information for direct service staff and administrative and operations staff.

In **Step 6c. Provider Wages and Benefits**, preparers will use columns B – E to report the hours and wages of non-related party staff that the direct services listed in column A.

- The hours and wages information for direct service, related party staff are reported in columns F – I.
- Total Staff and Contract Hours should include the total number of hours for which employees and contract staff were compensated during the reporting period. This would include hours for both time and worked and paid time off (sick leave, vacation, etc.).
- For staff whose work hours are split between direct and indirect service functions and administrative and operations functions (e.g., part-time supervisor and part-time administrator) report in this section only the hours and compensation associated with the provision of direct care (e.g., the part-time supervisor hours).
- Column J, Employee Benefits/Insurance, is for both related and non-related party employee staff. These benefits, with the exception of paid claims where the employer is self-insured, must be direct costed, and not allocated.
  - Accrued Vacation and Sick Leave*
  - Employer-Paid Health/Medical/Dental Premiums
  - Employer-Paid Disability Insurance Premiums
  - Employer-Paid Life Insurance Premiums
  - Employer-Paid Contributions to acceptable retirement funds/pension plans
  - Employer-Paid Contributions to acceptable deferred compensation funds
  - Employer-Paid Child Day Care
  - Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. 1 TAC §355.103(b)(1)(A)(iii)(III)(-c-).

MEI Cost Report

- Columns K (Miles Traveled) and L (Mileage Reimbursement) are for both related and non-related party staff. For all staff reported in compensation, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation also includes mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.
- The values for Columns M – P of **Step 6c.** are auto-calculated by STAIRS using preset formulas. No manual entry is required.

MEI Cost Report

Step 6e. Administrative and Operations Personnel Wages and Benefits

	Non-Related Party				Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Compensation	Average Staff Rate	Average Contracted Rate
A	B	C	D	E	F	G	H	I	J (C+E+G+I)	K [(C+G)/(B+F)]	L [(E+I)/(D+H)]
Administrator	4984.34	323234							$323,234	$64.85	$0.00
Assistant Administrator	5694.11	223063							$223,063	$39.17	$0.00
Owner									$0	$0.00	$0.00
Other Administrative Staff	91913.72	1661948							$1,661,948	$18.08	$0.00
Other Facility & Operations (including Maintenance and Transportation) Staff	69233.05	1095195							$1,095,195	$15.82	$0.00
Central Office Staff		1372620							$1,372,620	$0.00	$0.00
TOTAL	171,825.22	$4,676,060	0.00	$0	0.00	$0	0.00	$0	$4,676,060		

* Average excludes Central Office Staff

	Non-Related & Related Party				
Type	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	TOTAL	AverageMileage Reimbursement per Mile
A	B	C	D	E (B+D)	F (D/C)
Administrative and Operations Staff	545560	28994	15947	$561,507	$0.55
Central Office Staff	221413	3568	1963	$223,376	$0.55
TOTAL	$766,973	32,562	$17,910	$784,883	

MEI Cost Report

- All staff reported in **Step 6e**. perform administrative or operations functions.
- Columns B – E are dedicated to costs for non-related party staff of the listed staff types.
- Columns F – I are dedicated to costs for related party staff of the listed staff types.
- For each staff type enter hours, wages and contract compensation for non-related party and/or related party employees and contract staff.
  - Total Staff and Contract Hours should include the total number of hours for which employees and contract staff were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.).

MEI Cost Report

- For staff whose work hours are split between direct administrative and operations functions and other functions report in this section only the hours and compensation directly associated with the provision of administrative and operations functions and supported by timesheets (e.g., the part-time administrator hours and compensation).

- There should be no allocated costs reported in Administrator, Assistant Administrator, Owner or Other Administrative Staff, with the exception of the Administrator/Director whose costs must be reported in the designated line whether they are directly charged or allocated.

- In Step 6e., Columns J (Total Compensation), K (Average Staff Rate), and L (Average Contracted Rate) are auto-populated using preset formulas that use the data entered in other cells.

MEI Cost Report

The lower section of **Step 6e.** is reserved for the reporting of employee benefits/insurance, miles traveled, and mileage reimbursement for administrative and operations staff and central office staff.

- Column B is for BOTH related and non-related party employee staff. For all staff reported in *Administrative and Operations Personnel* compensation section above, include the following benefits in this column. These benefits, with the exception of paid claims where the employer is self-insured, must be direct costed, not allocated.
  - Accrued Vacation and Sick Leave*
  - Employer-Paid Health/Medical/Dental Premiums
  - Employer-Paid Disability Insurance Premiums
  - Employer-Paid Life Insurance Premiums
  - Employer-Paid Contributions to acceptable retirement funds/pension plans
  - Employer-Paid Contributions to acceptable deferred compensation funds
  - Employer-Paid Child Day Care
  - Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. 1 TAC §355.103(b)(1)(A)(iii)(III)(-c-).

MEI Cost Report

- Columns C and D: Miles Traveled and Mileage Reimbursement are reserved for the reporting of BOTH related and non-related party employee staff.
  - For all staff reported in the *Administrative and Operations Personnel* compensation section above, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle.
  - Allowable travel and transportation includes mileage and reimbursements of these staff who transport consumers to/from program services and activities in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. It also includes mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

MEI Cost Report

Step 7. Payroll Taxes and Workers' Compensation

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs?	Yes
Is your entity a Texas Workforce Commission Reimbursing Employer (e.g., not required to pay quarterly taxes to the Texas Workforce Commission (TWC for unemployment coverage)?	No

Taxes and Workers' Compensation	Non-Central Office	Central Office	Total
FICA and Medicare Payroll Taxes	824862	96922	921,784
State and Federal Unemployment Taxes	11822	823	12,645
Workers' Compensation Premiums	108062	11335	119,397
Workers' Compensation Paid Claims			0

In **Step 7**, preparers will have to answer two questions and report the taxes and workers' compensation costs for all staff reported in **Step 6** of the cost report. Non-central office employee costs will be reported separately from central office employee costs.

MEI Cost Report

Step 7. Payroll Taxes and Workers' Compensation

7. Payroll Taxes and Workers' Compensation

Key: Adjusted Flagged Cleared

Read only view.

Last Verified by Judy Churchwell on 04/20/2018 8:22 AM

Return

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs?	Yes
Is your entity a Texas Workforce Commission Reimbursing Employer (e.g., not required to pay quarterly taxes to the Texas Workforce Commission (TWC for unemployment coverage)?	No

Taxes and Workers' Compensation	Attendant	Non-Attendant and Program Admin	Central Office	Total
FICA and Medicare Payroll Taxes		38171	4011	42,182
State and Federal Unemployment Taxes		130	12	142
Workers' Compensation Premiums		2821	318	3,139
Workers' Compensation Paid Claims				0

In **Step 7**, preparers will have to answer two questions and report the taxes and workers' compensation costs for all staff reported in **Step 6** of the cost report. Non-central office employee costs will be reported separately from central office employee costs.

MEI Cost Report

Step 8. Facility and Operations Costs begins with four questions (Step 8a. General Information). How a preparer responds to these questions will determine which additional steps the entity will need to complete to finalize Step 8.

Do you have any asset or operations-related self-insurance expenses to report on this cost report?	No
Were any supplies or non-depreciable equipment purchased or leased from a related party?	No
Were there any related-party loans?	No
Were there any related-party contracted services?	No

As a result of their responses to the questions listed above, most entities will be required to complete at minimum Steps 8e., 8f., and 8g. *For assistance with Steps 8b – 8d, please refer to the MEI Cost Report Guide.*

MEI Cost Report

Step 8e. Depreciation Expense and Related-Party Lease/Purchase of Depreciable Assets

For cost-reporting purposes, property and assets owned by the contracted provider and improvements to the provider's owned, leased, or rented property that are valued at $2,500 or more with an estimated useful life of more than one year at the time of purchase must be depreciated. Any single item costing less than $2,500 should be expensed and reported as supplies in the applicable cost area.

To report an asset in Step 8e, preparers must first answer if the asset is a shared asset and must identify if it is a related party or non-related party asset.

- Related party assets are those purchased or leased from a related party.
- Only related party leases are reported through the Depreciation screens. Non-related party leases are reported in Facility and Operations Costs, Non-Related Party Facility, Operations, Administrative and Other Direct Care Costs.

In addition to these questions, the following details must be provided for each depreciable asset reported in Step 8e.

- Asset – The type of asset being depreciated or amortized.
- Code – *For internal provider use.*
- Description of Asset – Using the drop-down menu provided, select the statement that most accurately describes the type of asset being reported.
- Asset in Service at end of Period? – Check "Yes" or "No" to indicate whether or not the item was in service at the end of the reporting period. Additional questions will follow depending on this question is answered.

MEI Cost Report

- Years of Useful Life – The time period over which the asset must be depreciated. (Auto-populated based on the asset type/description and the depreciation schedule for assets as per the American Hospital Association).
- Historical Cost – The cost of acquiring the asset and preparing it for use.

Once the information above has all been entered click Save to archive the details. Doing so will auto-populate the remaining information (Salvage Value*, Depreciation Basis, Prior Period Accumulated Depreciation, Deprecation for Reporting Period, and Total Expense for Reporting Period) found on the entry table.

*Salvage Value is the estimated residual value of the asset for scrap or salvage after its useful life has ended. All buildings must have a minimum salvage value of at least 10% of historical cost for Medicaid cost-reporting purposes. No other salvage values are required.

MEI Cost Report

- Once all the critical details of an asset have been entered and saved the Business Component & Line Item Allocation module will appear.
- The module allows preparers to allocate the depreciation of an asset across multiple business components.

MEI Cost Report

Step 8e. Deprecation Expense and Related-Party Lease/Purchase of Depreciable Assets

Business Component & Line Item Allocation

110571001 - CPC A | Add Record | E

	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy) C	Month/Year Removed from Service (mm/yyyy)	Allocation % F	Expense for Reporting Period
ZZZ - HCS/TxHmL	Yes B	09/2012	D	40.00	$138
Area G	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporing Period
Supervised Living and Residential Support Services	Yes H	09/2012 I	J	100.00 L	$138 K
Add Line Item					
TOTAL				100.00%	

Select Line Item Allocation Methodology	Attach Methodology
Square Footage	TEST b.docx — Select file or upload new file

110571003 - CPC	Yes	09/2012		60.00	$207
TOTAL				100.00%	

Select Business Component Allocation Methodology	Attach Methodology
Square Footage	Desert.jpg — Select file or upload new file

Save | Cancel

MEI Cost Report

A. The available business components are controlled by the businesses and contracts entered in the Entity Data, Contract Management section. If a business component that should receive a portion of the allocated cost of the purchased or leased items is not on the list the preparer can return to this section and manually add the missing business component data.

B. Asset in Service at End of Period? – Assets may be taken out of service completely or only taken out of service for a single business component. The allocation of an asset may also change throughout a year.

C. Enter the month and year the asset was initially placed in service for depreciation purposes for this specific business component.

D. If the asset was removed from service for this business component during the current year, then enter the month and year that the asset was removed from service.

E. The full amount reported for the listed items in Total Expense for Reporting Period must be allocated to a business component before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.

F. Calculated figure. This is the percentage of E above to the Total Expense for Reporting Period.

G. The drop-down menu for “Area” includes all cost areas reportable in the cost report. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration.

MEI Cost Report

H. Assets may be taken out of service completely or only taken out of service for a cost area. This question allows for flexibility in how asset allocation may change throughout the year.

I. Enter the month and year the asset was initially placed in service for depreciation purposes for this specific cost area within this business component.

J. If the asset was removed from service for this specific cost area within this business component during the reporting period, enter the month and year the asset was removed from service.

The two lines above also allow for changes in allocation percentages throughout the year. By entering an end date at the point where the allocation changes and adding an additional record with a new placed in service date for the new allocation period, the usage changes will be taken into account in the calculation of deprecation below.

K. You must allocate or direct cost all costs reported for the Business Component under Expense for Reporting Period to an Area before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.

L. Calculated figure. This is E above as a percentage of the Business Component's Expense for Reporting Period.

MEI Cost Report

Step 8f. Non-Related-Party Facility, Operations, Administrative and Other Direct Care Costs – Entry

- The ECI Services, MH Services, IDD Services, and Program Admin & Operation columns are intended for the reporting of facility and operations costs that directly support the program component code(s) for which the cost report is being prepared.
- The Central Office column is intended to capture the allocated portion of shared administrative costs.
- It is important to report all costs in the correct cost area.
- The first column of this screen includes all the Facility, Operations, and Administration non-staff line items. Each of which is discussed in detail in the MEI Cost Report Guide.
- Some items may be reportable only in certain cost areas. Where this is the case, the cost report will not allow entry in the cost areas(s) where that type of expense may not be reported.

MEI Cost Report

Step 8g. Facility and Operations Cost Summary

Step 8g. summarizes the data reported as Facility and Operations Costs.

- No manual entry is required;
- The preparer should review this step closely to verify no items were omitted in error.
- All data must be verified in order to complete this step.

MEI Cost Report

Step 9. Preparer Verification Summary

In this step, the preparer must review the Revenue Summary and Expense Summary tables and verify that the information entered is correct.

The values listed in these tables are auto-calculated using data reported in earlier sections of the cost report. The detail data used to calculate the final figures can be easily retrieved by clicking on the Preparer Verification Detail shortcut found below the Expense Summary table.

If an entity will be submitting multiple cost reports to HHSC Provider Finance, all must be certified through Step 9 in order for Step 10 of any cost report to be made available.

MEI Cost Report

Step 10 Preparer Certification and Step 11 Entity Contact Certification

- Certification pages cannot be printed for signing and notarizing until the report has been verified. If the report is reopened for any reason, any previously uploaded certifications will be invalidated and must be completed again.
- A preparer may print out both the Preparer and Entity Contact Certification pages at the same time. Once one of the Certification pages is printed, the cost report is completed and locked. If it is discovered that additional changes need to be made, the preparer must contact the Reimbursement Analyst for assistance in getting the report(s) re-opened.
- Certification pages must contain original signatures and original notary stamps/seals when uploaded to STAIRS. These pages must be maintained in original form by the provider. If these pages are not properly completed, the cost report will not be processed until the provider uploads completed pages (Steps 10a and 11a); if completed pages are not uploaded in a timely manner, the cost report will not be counted as received timely and may be returned. If a report is returned, it is unverified and new certifications, dated after the report has been re-verified will have to be uploaded.

MEI Cost Report

Preparer Certification Form

- The **PREPARER CERTIFICATION** form must be signed by the individual who prepared the cost report or who has the primary responsibility for the preparation of the cost report.
- If more than one person prepared the cost report, an executed PREPARER CERTIFICATION may be submitted by each preparer.
- Misrepresentation or falsification of any information contained in this cost report may be punishable by fine and/or imprisonment.
- Signing as PREPARER carries the responsibility for an accurate and complete cost report prepared in accordance with applicable methodology rules and instructions.
- Signing as PREPARER signifies that the preparer is knowledgeable of the applicable methodology rules and instructions and that the preparer has either completed the cost report himself/herself in accordance with those rules and instructions or has adequately supervised and thoroughly instructed his/her employees in the proper completion of the cost report.
- Ultimate responsibility for the cost report lies with the person signing as PREPARER.
- If more than one person prepared the cost report, an executed Preparer Certification page (with original signature and original notary stamp/seal) may be submitted by each preparer.
- All persons signing the preparer certification must have attended the required cost report training.

Cost Report Certification Form

- The **COST REPORT CERTIFICATION** form must be signed by the individual legally responsible for the conduct of the contracted provider, such as the Sole Proprietor, a Partner, a Corporate Officer, an Association Officer, or a Governmental Official.
- The administrator/director is authorized to sign only if he/she holds one of these positions.
- Misrepresentation or falsification of any information contained in this cost report may be punishable by fine and/or imprisonment.
- The responsible party's signature must be notarized.
- The signature date must be the same or after the date the preparer signed the Methodology Certification page, since the cost report certification indicates that the cost report has been reviewed after preparation.

MEI Cost Report

Unacceptable Cost Reports

Failure to submit an acceptable cost report by the cost report due date may result in withholding payments from the provider until an acceptable cost report is submitted (i.e., "vendor hold"). An unacceptable cost report includes the following:

- Not completed in accordance with rules, instructions, and policy clarifications
- Not completed for the correct reporting period
- Not completed using a modified accrual method or cash basis of accounting
- Preparer did not submit the required documentation (certification pages, allocation summaries, contractual agreements)
- Provider does not have supporting work-papers
- Provider fails to provide requested information/documentation in a timely fashion
- Provider used unacceptable allocation method

MEI Cost Report

Provider Corrections

Corrections/Adjustments may be made up to 60 days after the original due date of the cost report. To make a correction to a cost report:

- Send a written request for approval of correction submission to HHSC Provider Finance
- Correction requests must be on agency letterhead and signed by the Chief Financial Officer or Executive Director (person with authority over the program)
- Correction requests must be notarized
- Requests should include:
  - Entity Name
  - Agency NPI and TPI
  - Year/Service Period of the cost report in need of correction
  - Brief description of issue/correction
  - Length of time needed to complete the revisions
- Please be advised that the governmental entity will also need to re-submit new signed and notarized certification forms for the respective cost report year.
- Official signature and notary dates must be no earlier than the electronic cost report re-submission date.

MEI Cost Report

Desk Reviews & Field Audits

The Texas Health and Human Services Commission (HHSC) conducts desk reviews and field audits of provider cost reports in order to ensure that all financial and statistical information reported in the cost reports conforms to all applicable rules and instructions. Cost reports must be completed according to instructions and rules in accordance with §355.105(b)(4) of this title (relating to General Reporting and Documentation Requirements, Methods, and Procedures). HHSC may require supporting documentation other than that contained in the cost report to substantiate reported information.

For Intermediate Care Facilities for Individuals with Intellectual Disabilities, Home and Community-based Services, Service Coordination/Targeted Case Management, Rehabilitative Services, and Texas Home Living programs, failure to complete cost reports according to instructions and rules constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111 of this title (relating to Administrative Contract Violations).

The basic objective of audits and desk reviews is to verify that each provider's cost report:

1. displays financial and other statistical information in the format required by HHSC;
2. reports expenses in conformity with HHSC's lists of allowable and unallowable costs;
3. follows generally accepted accounting principles, except as otherwise specified in HHSC's lists of allowable and unallowable costs, and other pertinent rules or as otherwise permitted in the case of governmental entities operating on a cash or modified accrual basis; and
4. is completed in accordance with each program's cost report instructions and rules.

MEI Cost Report

- Providers are responsible to respond to the HHSC Reimbursement Analyst within 15 days from the date HHSC requests clarification and/or additional information.
- Records must be accessible to HHSC Audit staff within 10 working days of notification. When records are not in Texas, the provider must pay the costs for HHSC staff to travel and review records out of state.

Records must be maintained a minimum of 3 years and 90 days after the end of the provider's fiscal year or after the resolution of all litigation, claims and audit findings involving the cost report, if that is later.

All medical records must be kept for 5 years from their creation.

MEI Cost Reports

Informal Review Requests

- Due within 30 days of notification
- Must include items in dispute, recommended resolution, supporting documentation
- Must be signed by an individual legally responsible for the conduct of the contracted provider or their legal representative.
- If additional information is requested it must be received no later than 14 calendar days from the date the interested party receives the written request for additional information.
- The agency's decision is due within 30 days of the date written on the informal review request or the date additional information is due or received, whichever is later.

Formal Appeal Requests

- An interested party who disagrees with the results of an informal review may file a formal appeal of the review.
- HHSC Appeals Division, Mail Code W-613, P.O. Box 149030, Austin, Texas 78714-9030, must receive the written request for a formal appeal from the interested party within 15 calendar days of notification
- The appeal is limited to issues and documentation considered in the informal review
- The request must be signed by an individual legally responsible for the conduct of the contracted provider or their legal representative.

Additional MEI Information

Important MEI Cost Report Dates

- Provider's Fiscal Year (Cost Report Period)
- Cost Report Due Date (Strictly Enforced) - April 30
- Cost Report Corrections (Strictly Enforced)
  - June 30 (60 days after initial submittal of cost report)
- Cost Report Training (Mandatory)
  - January, February, March, and April
- Informal Review
  - Within 30 calendar days from the date on the written notification of the adjustments.
- Appeals
  - Within 15 calendar days after the provider receives the written decision of the informal review.

All important information, notices, and due dates can be found on the website:
https://pfd.hhs.texas.gov/acute-care/mei-cost-report-information

Additional MEI Information

Financial Contact Responsibilities

- Oversight and verification the financial data submitted is true and accurate;
- Ensure all supporting documentation appropriately identifies the cost reported;
- Ensure cooperation with state and federal audits;
- Review the findings made by OIG &HHSC;
- Evaluate the clients' files currently assigned to the provider;
- Determine if the documentation is appropriate for all Medicaid services delivered by the provider;
- Determine if cost is allowable on the cost report.

Contacts

MEI Cost Reports

Provider Finance Cost Reporting - (512) 462-6300

Communication is predominantly sent/received via EMAIL:

MEI@hhs.texas.gov

Cost Report System & Website Questions:

Fairbanks Client Information Center (Email): info@fairbanksllc.com

Fairbanks Client Information Center (Phone): 1 (888) 321-1225

Website:

Acute Care Website - **https://pfd.hhs.texas.gov/acute-care**