



ADMINISTRATIVE RULES OF MONTANA



37.40.346 COST REPORTING, DESK REVIEW AND AUDIT

- (1) Providers must use generally accepted accounting principles to record and report costs. The provider must, in preparing the cost report required under this rule, adjust such costs in accordance with ARM 37.40.345 to determine allowable costs.
- (2) Providers must use the accrual method of accounting, except that, for governmental institutions that operate on a cash method or a modified accrual method, such methods of accounting will be acceptable.
- (3) Cost finding means the process of allocating and prorating the data derived from the accounts ordinarily kept by a provider to ascertain the provider's costs of the various services provided. In preparing cost reports, all providers must use the methods of cost finding described at 42 CFR 413.24 (1997) , which the department hereby adopts and incorporates herein by reference. 42 CFR 413.24 is a federal regulation setting forth methods for allocating costs. A copy of the regulation may be obtained from the Department of Public Health and Human Services, Senior and Long Term Care Division, 111 N. Sanders, P.O. Box 4210, Helena, MT 59604-4210. Notwithstanding the above, distinctions between skilled nursing and nursing facility care need not be made in cost finding.
- (4) All providers must report allowable costs based upon the provider's fiscal year and using the financial and statistical report forms designated and/or provided by the department. Reports must be complete and accurate. Incomplete reports or reports containing inconsistent data will be returned to the provider for correction.
 - (a) A provider must file its cost report:
 - (i) within 150 days after the end of its designated fiscal year;
 - (ii) within 150 days after the effective date of a change in provider as defined in ARM 37.40.325; or
 - (iii) for changes in providers occurring on or after July 1, 1993, within 150 days after six months participation in the Medicaid program for providers with an interim rate established under ARM 37.40.326. Subsequent cost reports are to be filed in accordance with (4) (a) (i) above and subsequent cost reports shall not duplicate previous cost reporting periods.
 - (b) The report forms required by the department include certain Medicare cost report forms and related instructions, including but not limited to certain portions of the most recent version of the CMS-2540 or CMS-2552 cost report forms, as more specifically identified in the department's cost report instructions. The department also requires providers to

complete and submit certain Medicaid forms, including but not limited to the most recent version of the Medicaid expense statement, form DPHHS-MA-008A.

- (i) In preparing worksheet A on the CMS-2540 or CMS-2552 cost report form, providers must report costs in the worksheet A category that correspond to the category in which the cost is reportable on the Medicaid expense statement, as designated in the department's cost report instructions.
 - (ii) For purposes of the Medicaid cost report required under this rule, all Medicare and Medicaid cost report forms must be prepared in accordance with applicable cost report instructions. Medicare cost report instructions shall apply to Medicare cost report forms to the extent consistent with Medicaid requirements, but the Medicaid requirements specified in these rules and the department's Medicaid cost reporting instructions shall control in the event of a conflict with Medicare instructions.
 - (c) If a provider files an incomplete cost report or reported costs are inconsistent, the department may return the cost report to the facility for completion or correction, and may withhold payment as provided in (4) (d) .
 - (d) If a provider does not file its cost report within 150 days of the end of its fiscal year, or if a provider files an incomplete cost report, the department may withhold from payment to the provider an amount equal to 10% of the provider's total reimbursement for the month following the due date of the report or the filing of the incomplete report. If the report is overdue or incomplete a second month, the department may withhold 20% of the provider's total reimbursement for the following month. For each succeeding month for which the report is overdue or incomplete, the department may withhold the provider's entire Medicaid payment for the following month. If the provider fails to file a complete and accurate cost report within six months after the due date, the department may recover all amounts paid to the provider by the department for the fiscal period covered by the cost report. All amounts so withheld will be payable to the provider upon submission of a complete and accurate cost report.
 - (e) The department may grant a provider one 30-day extension for filing the cost report if the provider's written request for the extension is received by the department prior to expiration of the filing deadline and if, based upon the explanation in the request, the department determines that the delay is unavoidable.
 - (f) Cost reports must be executed by the individual provider, a partner of a partnership provider, the trustee of a trust provider, or an authorized officer of a corporate provider. The person executing the reports must sign, under penalties of false swearing, upon an affirmation that he has examined the report, including accompanying schedules and statements, and that to the best of his knowledge and belief, the report is true, correct, and complete, and prepared in accordance with applicable laws, regulations, rules, policies, and departmental instructions.
- (5) A provider must maintain records of financial and statistical information which support cost reports for six years, three months after the date a cost report is filed, the date the cost report is due, or the date upon which a disputed cost report is finally settled, whichever is later.
- (a) Each provider must maintain, as a minimum, a chart of accounts, a general ledger and the following supporting ledgers and journals: revenue, accounts receivable, cash receipts, accounts payable, cash disbursements, payroll, general journal, resident census records

identifying the level of care of all residents individually, all records pertaining to private pay residents and resident trust funds.

- (b) To support allowable costs, the provider must make available for audit at the facility all business records of any related party, including any parent or subsidiary firm, which relate to the provider under audit. To support allowable costs, the provider must make available at the facility for audit any owner's or related party's personal financial records relating to the facility. Any costs not so supported will not be allowable.
 - (c) Cost information and documentation developed by the provider must be complete, accurate and in sufficient detail to support payments made for services rendered to recipients and recorded in such a manner to provide a record which is auditable through the application of reasonable audit procedure. This includes all ledgers, books, records and original evidence of cost (purchase requisitions, purchase orders, vouchers, checks, invoices, requisitions for materials, inventories, labor time cards, payrolls, bases for apportioning costs, etc.) which pertain to the determination of reasonable cost. The provider must make and maintain contemporaneous records to support labor costs incurred. Documentation created after the fact will not be sufficient to support such costs.
 - (d) The provider must make all of the above records and documents available at the facility at all reasonable times after reasonable notice for inspection, review or audit by the department or its agents, the federal department of health and human services, the Montana legislative auditor, and other appropriate governmental agencies. Upon refusal of the provider to make available and allow access to the above records and documents, the department may recover, as provided in ARM 37.40.347, all payments made by the department during the provider's fiscal year to which such records relate.
- (6) Department audit staff may perform a desk review of cost statements or reports and may conduct on site audits of provider records. Such audits will be conducted in accordance with audit procedures developed by the department.
- (a) Department audit staff may determine adjustments to cost reports or reported costs through desk review or audit of cost reports. Department audit staff may conduct a desk review of a cost report to verify, to the extent possible, that the provider has provided a complete and accurate report.
 - (b) Department audit staff may conduct on site audits of a provider's records, information and documentation to assure validity of reports, costs and statistical information. Audits will meet generally accepted auditing standards.
 - (c) The department shall notify the provider of any adverse determination resulting from a desk review or audit of a cost report and the basis for such determination. Failure of the department to complete a desk review or audit within any particular time shall not entitle the provider to retain any overpayment discovered at any time.
 - (d) The department, in accordance with the provisions of ARM 37.40.347, may collect any overpayment and will reimburse a provider for any underpayment identified through desk review or audit.
- (7) A provider aggrieved by an adverse department action may request administrative review and a fair hearing as provided in ARM 37.5.304, 37.5.305, 37.5.307, 37.5.310, 37.5.311, 37.5.313, 37.5.316, 37.5.322, 37.5.325, 37.5.328, 37.5.331, 37.5.334, and 37.5.337.

Authorizing statute(s): 53-2-201, 53-6-113, MCA

Implementing statute(s): 53-2-201, 53-6-101, 53-6-111, 53-6-113, MCA

History: NEW, 1991 MAR p. 2050, Eff. 11/1/91; AMD, 1993 MAR p. 1385, Eff. 7/1/93; AMD, 1995 MAR p. 1227, Eff. 7/1/95; AMD, 1997 MAR p. 474, Eff. 3/11/97; AMD, 1998 MAR p. 1749, Eff. 6/26/98; AMD, 2000 MAR p. 492, Eff. 2/11/00; TRANS & AMD, from SRS, 2000 MAR p. 1653, Eff. 6/30/00; AMD, 2002 MAR p. 1767, Eff. 6/28/02; AMD, 2004 MAR p. 1479, Eff. 7/2/04.