OSHPD Office of Statewide Health Planning and Development

Accounting and Reporting Systems Section
2020 W El Camino Ave, Suite 11-100
Sacramento, California 95833
(916) 326-3854
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July 2017

To: Long-term Care Facility Financial Personnel
and Other Interested Parties

Re: Long-term Care Facility Tips and Reporting Reminders No. 3

This is the 3rd in a series of Long-term Care Facility Tips and Reporting Reminders developed by the Office of Statewide Health Planning and Development (OSHPD or Office) regarding our uniform accounting and reporting system requirements for California long-term care facilities as well as our System for Electronic Reporting and Auditing (SIERA). The purpose of these letters is to provide timely information to assist you in meeting the requirements set forth in the *Accounting and Reporting Manual for California Long-term Care Facilities* (the Manual).

Our most exciting news is that the Office has moved from our 400 R Street location. We have also changed the name of our division of OSHPD from the Healthcare Information Division (HID) to the Information Services Division (ISD); however, our section remains the same – Accounting and Reporting Systems Section.

Our new address is:

2020 West El Camino Avenue
Sacramento, CA 95833

FACILITY CHANGES

When license-related changes (change in ownership, fiscal year, etc.) occur at your facility, it is important that you notify OSHPD as soon as possible so that we can make the appropriate adjustments to our automated systems. In addition, when there are changes with the SIERA users associated with your facilities, we need to make those updates as well; otherwise, users that are no longer associated with your facility will continue to receive emails and other correspondence. Of primary importance are the primary contacts.

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2016-17

The reporting requirements for the 40th year Long-term Care Annual Disclosure and Medi-Cal Cost Report (ADR) cycle, which includes reporting periods ended December 31, 2016 through December 30, 2017, are the same as the previous year. These reports are due 4 (four) months after the end of the health facility's fiscal year. In addition, the law allows up to 90-days of extension.

Quality Assurance Supplemental Payments (QASP)

We have seen some erroneous reporting regarding this topic and wanted to provide some clarification. When a facility receives a QASP, it must be reported as a credit to Medi-Cal Contractual Adjustments on Page 4.2, Line 220. These payments should not be reported as Non-health Care Revenue on Page 8, Line 210.

Managed Care

There have been questions relating to the reporting of patients days and charges for Medi-Cal and Medicare patients who are enrolled in a Managed Care plan.

Section 3230 of the Manual defines Managed Care as follows:

"Patients who belong to groups (HMOs, PPOs, or others) that have a contractual relationship with the facility. Managed Care includes patients enrolled in managed care plans funded by Medicare, Medi-Cal or other government programs, as well as patients enrolled in commercial managed care programs."

In the future, we hope to add a payer category specifically for these patients, but until then, these patients must be accounted for in the Managed Care category, not Medi-Cal or Medicare.

Related Party Information:

As a reminder, OSHPD defines Other Related Persons and Organizations in Section 1132 of the Manual as follows: "For purposes of this accounting and reporting system, a related party is, to a large extent, an individual or organization with which the facility is associated or affiliated, has control of, or is controlled by. Common ownership arises when and individual, individuals, or an organization holds significant ownership or equity in both the facility and the organization serving the facility. The term "control" means that an individual or an organization has power to influence or direct the actions or policies of both a facility and a related organization to a significant extent. Disclosure of material related party transactions is required".

To ensure transparency in our data, it is important that all related party data is properly reported on Pages 3.1 and 5.1/5.2.

Accrual Based Accounting

If a facility elects not to report both the revenue and expense related to a particular service, they are not in compliance with the requirements of this Office; specifically, Section 1020 of the Manual. In other words, it is not acceptable to “zero-out” a reported service if the revenue and expense are the same value.

The *Accounting and Reporting Manual for California Long-Term Care Facilities* (the Manual) requires facilities to use accrual basis accounting, which is also a requirement of Generally Accepted Accounting Principles (GAAP). Under the accrual basis, revenues and expenses are recognized when the service to which they relate is performed; the actual time when money is received or paid usually has nothing to do with the recognition of revenue or expense in the accounting records. This requires that revenues be matched with their corresponding expenses.

Section 1021 of the Manual reads:

“Determination of the net income of an accounting period requires measurement of revenues, deductions from revenue, and expenses associated with the period. Revenues must be recorded in the period in which they are earned; that is, in the time period during which the services are rendered to patients and a legal claim arises for the value of those services. Once a revenue determination is made, a measurement must be made of the amount of expense incurred in rendering the services on which the revenue determination was based. Unless there is such a matching of accomplishment (revenues) and effort (expenses), the reported net income of a period may be meaningless”.

Further, when a facility records deductions from revenue, the requirement that deductions from revenue must also be matched properly against the gross revenues of the accounting period must not be overlooked. These deductions from revenue must be recognized in the same period in which the related revenues were recorded, even though some of these deductions cannot be precisely determined.

Our reviews have been finding many facilities are not reporting charges that either 1) have no reimbursement impact or, 2) have not been broken down and directly charged to the patient. This may lead to the reporting of expenses that appear larger than the associated revenues which may not be an accurate representation of the actual transactions that occurred.

All vendors listed below have been approved to distribute ADR reporting software (Version 40A):

Health Financial Systems
Becky Dolin
(888) 216-6041
becky.dolan@hfssoft.com

CDL Data Solutions, Inc.
Lanny Hawkinson
(714) 525-1907
lanny.hawkinson@sbcglobal.net

KPMG
Joseph Quinn
(800) 243-7507-ex2
jwquinn@kpmg.com

ADR Extension Policy: Long-term Care Facilities may request up to 90 days of extension. A SIERA user may complete the extension request via the "Request Extension" tab in SIERA. If you are not a user and need an extension, please contact the SIERA Help Desk at (916) 326-3899 or siera@oshpd.ca.gov for assistance.

If you have any accounting or reporting questions, please contact me at (916) 326-3833 or lexie.bloyd@oshpd.ca.gov. For questions regarding extensions or SIERA user accounts, please contact Tina Tran at tina.tran@oshpd.ca.gov.

Sincerely,

Alexandra (Lexie) Bloyd
Long-term Care Unit Supervisor