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February 2023

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

Re: Long-term Care Facility Technical Issues and Reporting Reminders No. 8

This is the 8th in a series of Long-term Care Facility Tips and Reporting Reminders developed by the Department of Health Care Access and Information (HCAI) 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, Second Edition* (the Manual) when preparing and submitting the annual Long-Term Care Integrated Disclosure and Medi-Cal Cost Report.

COVID-Related Reporting:

Employee Retention Credit (ERC)

As part of the California State Budget for Fiscal Year 2022-23, a Hospital and Skilled Nursing COVID-19 Worker Retention Payment was added to Part 4.6 of Division 2 of the Labor Code (Sections 1490 – 1495). This legislation creates a program for certain facilities to receive money from the Department of Health Care Services (DHCS) for retention payments to certain workers with the potential for an additional amount to match retention payments paid by the facility.

Section 1495 of this legislation specifies that payments to workers are not to be considered wages as defined in Section 200 of the Labor Code as, “all amounts for labor performed by employees of every description, whether the amount is fixed or ascertained by the standard of time, task, piece, commission basis, or other method of calculation.” This definition is similar to the HCAI Accounting and Reporting Manual for California Long-Term Care Facilities, 2nd edition (Manual) definition of Salaries and Wages found in section 3240.1, as “all remuneration for services performed by an employee for the facility employer payable in cash; and the fair market value of services donated to the facility by persons performing under an employee relationship.”

Therefore, the worker retention payments do not qualify as Salaries and Wages in accordance with the Manual.

Payments to qualifying employees of the facility should be accounted for as “Other Employee Benefits” in subclassification .28 in each employee’s assigned cost center. Additional accounting entries for payroll taxes and potential withholding may also be required. We recommend consulting with a payroll tax professional for any tax implications. Payments to physicians who are not employees of the facility should be accounted for as “Other Direct” expenses in subclassification .99 in the cost center which corresponds to any service they have provided in the facility. If this cannot be identified, the amount should be included in Administration (Account 6900).

Payments from DHCS should be reported as Other Operating Revenue (Account 5990) with amounts distributed in column 11 of page 10.1 to the cost centers which include worker retention payment expenses. (See Manual Section 4020.2 for information on distributing to multiple cost centers.)

Quality Incentive Program (QIP)

Medi-Cal supplemental payments for the Quality Incentive Program (QIP) are tied to performance on designated performance metrics in four strategic categories: primary care, specialty care, inpatient care, and resource utilization. QIP payments are linked to delivery of services under Medi-Cal managed care plan contracts and increase the amount of funding tied to quality outcomes. QIP payments are for patient care and should be recorded as a credit to Contractual Adjustments - Managed Care (Account 5330).

Provider Relief Fund

Provider Relief Fund distributions, including General Distributions (\$30 Billion and \$20 Billion) and Targeted Distributions (High Impact, Rural Health, SNF, and Safety Net Providers) provide funding to prevent, prepare for, and respond to coronavirus, and that payment shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus. Consistent with CMS cost reporting guidance, the aggregate payments from these funds should be recorded as Other Operating Revenue to distinguish them from payments for health care services.

Contribution revenue would be recognized only to the extent that health care-related expenses or lost revenues have been incurred. This revenue must be reported as Other Operating Revenue on Page 10.2 and offset against the using cost center on Page 10.1, Column 11 (per Section 4020.2 of the Manual). This offset is for disclosure reporting purposes, only. To the extent that a Provider Relief Fund payment represents

compensation for lost revenues (and, thus, there are no "related expenses" against which it would be offset), it would be presented as grant income.

Payment amounts received that exceed recognizable contribution revenue (for example, because entitlement is conditioned on health care-related expenses or lost revenues that are expected to be incurred in the subsequent accounting period) are reported as a liability, credit Other Current Liabilities and debit Cash. As the funds are utilized, debit Other Current Liabilities and credit Other Operating Revenue.

Managed Care Reporting

Section 3230 of the Manual defines Managed Care as "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." HCAI is working on promulgating regulations to revise our reporting forms, instructions, and the Manual to add payer-specific Managed Care categories to the annual Long-Term Care Integrated Disclosure & Medi-Cal Cost Report. If regulations are approved, the new reporting requirements will be in effect for report periods ending on or after January 1, 2024. More information will be shared as it becomes available.

SB 650 – Skilled Nursing Facilities

Senate Bill 650 (Chapter 493, Statutes of 2021) expands financial disclosure reporting for Skilled Nursing Facilities (SNFs) by requiring an organization that operates, conducts, owns, manages, or maintains a SNF to prepare annual consolidated financial statements of related entities and have those statements reviewed by a Certified Public Accountant (CPA), unless already audited.

The consolidated reports will include basic financial statements for each individual operating entity, license holder, and related party that shares five (5) percent common ownership and provides any services, facility, or supply to the facility. The reports will also include a statement detailing patient revenue by payer and other disclosures as well as a visual representation of the organization's structure and related entities.

All SNFs, whether they have related parties or not, will be required to disclose organizational visual representation documents for both related and non-related entities.

Starting with fiscal years ending on or after December 31, 2023, HCAI is required to determine if the annual consolidated financial report is complete and post those reports and related documents to its website. HCAI will continue to audit the individual SNF financial statements submitted pursuant to current law.

HCAI will develop policies and procedures to outline the format of the information to be submitted, promulgate new regulations, and share information as it becomes available.

Page 10.4 – Salary Information for Owners/Operators, Related Parties, Administrators, Assistant Administrators, and Board Members

If the facility had related party transactions with the parent organization or management company, the name and address of the related party must be disclosed on Page 10.4, Lines 1-20 even if it is already disclosed on Page 3.1, 3.2, respectfully along with any related transactions beginning on Line 30.

Names of facility owners, operators, related parties, Administrators, Assistant Administrators, and Board Members receiving compensation from the facility must be disclosed on this page, beginning on Line 110.

Data Products

The Long-Term Care annual financial complete dataset, selected dataset, pivot profile, and accompanying documentation is available on the California Health & Human Services Agency's Open Data Portal (<https://data.chhs.ca.gov/dataset/long-term-care-facility-disclosure-report-data>), which is also accessible from [HCAI's website](#).

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2023

The reporting requirements for the 46th year Long-term Care Annual Disclosure and Medi-Cal Cost Report annual disclosure report cycle, which includes reporting periods ended January 1, 2022, through December 31, 2022, are the same as the 45th year requirements.

Reports are due 4 months after the facility's fiscal year end. There are 90-days of extension that may be requested via SIERA (siera.hcai.ca.gov) if the facility needs additional time to complete the report. This extension is not automatic, it must be requested. To submit your report or to request an extension, you may do so by logging into your SIERA account. A SIERA user may complete an extension request via the "Request Extensions" tab. If you are not a user and need an extension, please contact the SIERA Help Desk at (916) 326-3899 or financial@hcai.ca.gov for assistance.

Congregate Living Health facilities (CLHFs) are not required to utilize software to prepare annual reports; instead, [download the reporting forms](#) from the HCAI website, complete and return the report file and signed certification (first page of reporting forms) to financial@hcai.ca.gov. Only Pages 1-9 are required for this facility type.

Long-Term Care Reporting Technical Issues and Reporting Reminders
February 2023

The vendors listed below have been approved to distribute ADR reporting software (Version 46A):

Health Financial Systems

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

Compu-Max

Jim David
(213) 433-3921
jamesdavid@hfssoft.com

If you have any accounting or reporting questions, please contact me at (916) 326-3833 or lexie.boyd@hcai.ca.gov. For questions regarding extensions or SIERA user accounts, please send an email to financial@hcai.ca.gov.

Sincerely,

A. Boyd

Alexandra (Lexie) Boyd
Long-term Care Unit Supervisor