



Ohio Administrative Code

Rule 5123-7-12 Intermediate care facilities for individuals with intellectual disabilities - cost report and chart of accounts.

Effective: July 1, 2024

(A) Purpose

This rule sets forth standards and requirements for an intermediate care facility for individuals with intellectual disabilities (ICFIID), other than a department-operated ICFIID, to submit cost reports to the department and maintain supporting documents and records.

(B) Submission of cost reports

(1) An ICFIID will utilize the medicaid information technology system maintained by the Ohio department of medicaid to submit a cost report to the department in accordance with sections 5124.10, 5124.101, and 5124.522 of the Revised Code.

(2) For good cause, an ICFIID may request and the department may grant an extension of fourteen calendar days for submitting a cost report. An ICFIID will request an extension in writing via email to cr-icf@dodd.ohio.gov, explain the circumstances resulting in the need for an extension, and submit the request no later than ninety calendar days after the end of the reporting period.

(C) Classifying costs

(1) For purposes of the cost report, an ICFIID will use the chart of accounts in the appendix to this rule and classify costs in accordance with applicable guidance and directives issued by the centers for medicare and medicaid services.

(a) When an account has sub-accounts, the sub-accounts will be used to capture the information for cost reporting purposes. For example:

(i) When revenue accounts appear by payor type, charges will be reported by payor type as applicable; and



- (ii) When salary accounts differentiate between "supervisory" and "other," this level of detail will be reported as applicable.

- (b) While the chart of accounts facilitates the level of detail necessary for cost reporting purposes, an ICFIID may maintain records in a manner that allows for greater detail.

- (c) The chart of accounts allows for a range of account numbers for a specified account. For example, account 1001 is for petty cash, with the next account, cash in bank, beginning at account 1010. An ICFIID may delineate sub-accounts 1010.1 to 1010.7 as separate cash accounts. An ICFIID need only use the applicable sub-accounts.

- (d) Within the expense section (i.e., tables 5, 6, and 7), accounts identified as "salary" accounts are only to be used to report wages for employees of the ICFIID. Wages are to include wages for sick pay, vacation pay, and other paid time off, as well as any other compensation to be paid to an employee.

- (e) Expense accounts identified as "contract" accounts are only to be used to report costs incurred for services performed by contracted personnel engaged by the ICFIID to perform a service that would otherwise be performed by personnel on the ICFIID's payroll.

- (f) Expense accounts identified as "purchased nursing services" are only to be used to report costs incurred for personnel acquired through a nursing pool agency.

- (g) Expense accounts designated as "other" may be used to report any appropriate non-wage expenses, including contract services and supplies.

- (h) Completion of the cost report requires that the number of hours paid be reported (depending on ICFIID type of control, on an accrual or cash basis) for all salary expense accounts. An ICFIID's record keeping will include accumulating hours paid consistent with the salary accounts included within the chart of accounts.

- (i) Expenses related to a technology solution, acquired or implemented as a result of the person-



centered assessment and planning process described in rule 5123-2-01 of the Administrative Code are to be reported in the appropriate account or sub-account unless they are directly covered by the medicaid state plan.

(2) Cost reports submitted by a county-operated ICFIID may be completed on accrual basis accounting and generally accepted accounting principles unless otherwise specified in Chapter 5123-7 or 5160-3 of the Administrative Code.

(3) All depreciable equipment valued at five hundred dollars or more per item with a useful life of at least two years, is to be reported in the capital cost component set forth in rule 5123-7-18 of the Administrative Code. The costs of equipment (including vehicles) acquired by an operating lease executed before December 1, 1992, may be reported in the indirect care cost component if the costs were reported as administrative and general costs on the ICFIID's cost report for the reporting period ending December 31, 1992, until the current lease term expires. The costs of any equipment leases executed before December 1, 1992 and reported as capital costs, will continue to be reported under the capital cost component. The costs of any new leases for equipment executed on or after December 1, 1992, will be reported under the capital cost component. Operating lease costs for equipment, which result from extended leases under the provision of a lease option negotiated on or after December 1, 1992, will be reported under the capital cost component.

(4) Costs of ownership

(a) The desk-reviewed, actual, allowable, per diem costs of ownership are based upon certified beds for property costs and equipment for the calendar year preceding the fiscal year in which the rate will be paid and include:

(i) The costs of ownership directly related to purchasing or acquiring capital assets including:

(A) Except as otherwise required by paragraph (C)(4)(e) of this rule, depreciation expense for the cost of buildings equal to the actual cost depreciated in accordance with rule 5123-7-18 of the Administrative Code. The provider is not to change the accumulated depreciation that has been previously reported. This accumulated depreciation will be carried forward as previously reported and audited. The current depreciation will then be added to accumulated depreciation as recognized.



(B) Except as otherwise required by paragraph (C)(4)(e) of this rule, depreciation expense for major components of property and fixed equipment equal to the actual cost depreciated in accordance with rule 5123-7-18 of the Administrative Code. The provider is not to change the accumulated depreciation that has been previously reported. This accumulated depreciation will be carried forward as previously reported and audited. The current depreciation will then be added to accumulated depreciation as recognized.

(C) Except as otherwise required by paragraph (C)(4)(e) of this rule, depreciation expense for major movable equipment equal to the actual cost depreciated in accordance with rule 5123-7-18 of the Administrative Code. The provider is not to change the accumulated depreciation that has been previously reported. This accumulated depreciation will be carried forward as previously reported and audited. The current depreciation will then be added to accumulated depreciation as recognized.

(D) Interest expense incurred on money borrowed for construction or the purchase of real property, major components of that property, and equipment.

(E) Depreciation expense for costs paid or reimbursed by any government agency, if that part of the prospective per diem rate is used to reimburse the government agency and a loan provides for repayment over a time-limited period.

(F) Amortization expense of financing costs.

(ii) The costs of ownership directly related to renting or leasing capital assets.

(iii) The costs of ownership directly related to the amortization of leasehold improvements. These costs will be expensed over the lesser of the remaining life of the lease, but not less than five years, or the useful life of the improvement as specified in rule 5123-7-18 of the Administrative Code. If the useful life of the improvement is less than five years, it may be amortized over its useful life. Options on leases will not be considered. Lessees who report leasehold improvements and who leave the program before the minimum amortization period is complete will not receive reimbursement for the balance of unamortized costs.



(b) The costs of ownership directly attributable to the purchase, rent, or lease of property and equipment costs from one related party to another through common ownership or control will be based upon the lesser of the actual purchase, rent, or lease of property and equipment costs or the actual costs of the related party.

(i) If a provider leases or transfers an interest in an ICFIID to another provider who is a related party, the related party's allowable costs of ownership will include the lesser of:

(A) The annual lease expense or actual costs of ownership, whichever is applicable; or

(B) The reasonable cost to the lessor or provider making the transfer.

(ii) If a provider leases or transfers an interest in an ICFIID to another provider who is a related party, regardless of the date of the lease or transfer, the related party's allowable costs of ownership will include the annual lease expense or actual costs of ownership, whichever is applicable, if all of the following conditions are met:

(A) The related party is a relative of the owner.

(B) In the case of a lease, if the lessor retains any ownership interest, it is, except as provided in paragraph (C)(4)(b)(ii)(d)(i)(B) of this rule, in only the real property and any improvements to the real property.

(C) In the case of a transfer, the provider making the transfer retains, except as provided in paragraph (C)(4)(b)(ii)(d)(ii)(B) of this rule, no ownership interest in the ICFIID.

(D) The department determines that the lease or transfer is an arm's length transaction when:

(i) In the case of a lease:

(i) Once the lease goes into effect, the lessor has no direct or indirect interest in the lessee or, except as provided in paragraph (C)(4)(b)(ii)(b) of this rule, the ICFIID itself, including interest as an owner, officer, director, employee, independent contractor, or consultant, but excluding interest as a



lessor.

(ii) The lessor does not reacquire an interest in the ICFIID except through the exercise of a lessor's rights in the event of a default. If the lessor reacquires an interest in the ICFIID in this manner, the department will treat the ICFIID as if the lease never occurred when the department calculates its reimbursement rates for capital costs.

(ii) In the case of a transfer:

(i) Once the transfer goes into effect, the provider that made the transfer has no direct or indirect interest in the provider that acquires the ICFIID or in the ICFIID itself, including interest as an owner, officer, director, employee, independent contractor, or consultant, but excluding interest as a creditor. If the provider making the transfer maintains an interest as a creditor, the interest rate of the creditor will not exceed the lesser of:

(1) The prime rate, as published by the "Wall Street Journal" on the first business day of the calendar year plus four per cent; or

(2) Fifteen per cent.

(ii) The provider that made the transfer does not reacquire an interest in the ICFIID except through the exercise of a creditor's rights in the event of a default. If the provider reacquires an interest in the ICFIID in this manner, the department will treat the ICFIID as if the transfer never occurred when the department calculates its reimbursement rates for capital costs.

(E) Except in the case of hardship caused by a catastrophic event, as determined by the department, or in the case of a lessor or provider making the transfer who is at least sixty-five years of age, not less than twenty years have elapsed since, for the same ICFIID, allowable costs of ownership was determined most recently.

(c) A provider proposing to lease or transfer an interest in an ICFIID to a related party will provide the department with a certified appraisal for each ICFIID to be leased or transferred at least ninety calendar days prior to the actual change of the provider agreement. The certified appraisal will be



conducted no earlier than one hundred eighty calendar days prior to the actual change of the provider agreement for each ICFIID leased or transferred to a related party.

(d) A provider proposing to lease or transfer an interest in an ICFIID to a related party will notify the department in writing and supply sufficient documentation demonstrating compliance with the provisions of this rule at least ninety calendar days prior to the anticipated date of completion of the transfer or lease. A provider that fails to supply the required documentation will not qualify for a rate adjustment. The department will issue a written decision determining whether the lease or transfer meets the requirements of this rule within sixty calendar days after receiving complete information as determined by the department.

(e) Reporting of accumulated depreciation

(i) Upon the sale of an ICFIID, the allowable capital asset cost basis, depreciation expense, and interest expense for the new provider/buyer of the ICFIID will be the new provider's/buyer's actual depreciation and interest expense subject to the ceilings set forth in section 5124.171 of the Revised Code. If the operating rights are separately identified and valued in a sale that includes both the building and the operating rights, the operating rights will be considered to be a part of the building for purposes of determining the allowable capital asset cost basis under this paragraph. If a new provider/buyer purchases only the operating rights to the ICFIID and uses the operating rights to create a new ICFIID or add beds to an existing ICFIID, the purchase price of the operating rights will be added to the capital asset cost basis of the new ICFIID building or the additional beds.

(ii) Upon the sale of an ICFIID, the initial accumulated depreciation for the new provider/buyer of the ICFIID will be recalculated starting at zero.

(5) Except for the employer's share of payroll taxes, workers' compensation, employee benefits, and home office costs, allocation of commonly shared expenses across cost centers is not allowed. Wages and benefits for staff, including related parties who perform duties directly related to functions performed in more than one cost center which would be expended under separate cost centers if performed by separate staff, may be expended to separate cost centers based upon documented hours worked, provided the ICFIID maintains adequate documentation of hours worked in each cost center. For example, the salary of an aide who is assigned to bathing and dressing chores



in the early hours but works in the kitchen as a dietary aide for the remainder of the shift may be expended to separate cost centers provided the ICFIID maintains adequate documentation of hours worked in each cost center.

(6) The cost of purchasing resident transport vehicles is reported under the capital cost component. The cost of maintaining and repairing these vehicles is reported under the indirect care cost component.

(7) As part of its cost report, an ICFIID may complete the addendum for disputed costs to defend costs the ICFIID believes may be disputed by the department. The costs stated on the addendum are to have been applied to the other schedules and attachments for the reporting period in question (either in the reimbursable or the nonreimbursable cost centers). Any costs reported on the addendum may be considered by the department in establishing the ICFIID's prospective rate.

(8) The following costs are not reimbursable to an ICFIID through the prospective reimbursement cost reporting mechanism, except as otherwise specified in Chapter 5123-7 of the Administrative Code:

(a) Recoupments, fines, penalties, or interest paid in accordance with sections 5124.41, 5124.42, 5124.523, and 5124.99 of the Revised Code.

(b) Disallowances made during an audit of the ICFIID's cost report which are sanctioned through adjudication in accordance with Chapter 119. of the Revised Code.

(c) Costs which are determined not to be reasonable and allowable costs during an audit of the ICFIID's cost report.

(d) Cost of ancillary services (e.g., physicians, legend drugs, radiology, laboratory, oxygen, or resident-specific medical equipment) rendered to residents of the ICFIID by providers who bill medicaid directly.

(e) Cost per case mix units in excess of the applicable peer group ceiling for direct care cost.



- (f) Expenses in excess of the applicable peer group ceiling for indirect care cost.
- (g) Expenses in excess of the capital costs limitations.
- (h) Expenses associated with lawsuits filed against the department or the Ohio department of medicaid which are not upheld by the courts.
- (i) Cost of meals sold to visitors or the public (e.g., meals on wheels).
- (j) Cost of supplies or services sold to persons who do not reside at the ICFIID.
- (k) Cost of operating a gift shop.

(D) Required disclosures

As a component of the cost report, providers will identify:

- (1) Each known related party.
- (2) Each known individual, group of individuals, or organization not otherwise publicly disclosed that owns or has common ownership in whole or in part, in any mortgage, deed of trust, property, or asset of the ICFIID. When the ICFIID or the common owner is a publicly owned and traded corporation, this information beyond basic identifying criteria is not required as part of the cost report but must be available within two weeks when requested. Publicly disclosed information must be available at the time of an audit.
- (3) Each corporate officer or director, if the provider is a corporation.
- (4) Each partner, if the provider is a partnership.
- (5) Each provider, whether participating in the medicare or medicaid program or not, which is part of an organization which is owned, or through any other device controlled, by the organization of which the provider is a part.



(6) Any director, officer, manager, employee, individual, or organization having direct or indirect ownership or control of five per cent or more, or who has been convicted of or pleaded guilty to a civil or criminal offense related to his or her involvement in programs established by Title XVIII, Title XIX, or Title XX of the Social Security Act, as in effect on the effective date of this rule. The amount of indirect ownership is determined by multiplying the percentage of ownership interest at each level (e.g., forty per cent interest in corporation "A" which owns fifty per cent of corporation "B" results in a twenty per cent indirect interest in corporation "B").

(7) Any individual currently employed by or under contract with the provider, or a related party in a managerial, accounting, auditing, legal, or similar capacity who was employed by the department, the Ohio department of medicaid, the Ohio department of health, the Ohio attorney general, the Ohio department of aging, the Ohio department of commerce, or the industrial commission of Ohio within the previous twelve months.

(E) Contracts for service

A provider will provide upon request, each contract for service in effect during the reporting period for which the cost of the service from any subcontractor, individual, or organization is ten thousand dollars or more in a twelve-month period or for the services of a sole proprietor or partnership where there is no cost incurred and the imputed value of the service is ten thousand dollars or more in a twelve-month period. For the purposes of this paragraph:

(1) "Contract for service" is defined as the component of a contract that details services provided exclusive of supplies and equipment. It includes any contract which details services, supplies, and equipment to the extent the value of the service component is ten thousand dollars or more within a twelve-month period.

(2) "Subcontractor" is defined as any entity, including an individual or individuals, who contract with a provider to supply a service, either to the provider or directly to the beneficiary, where medicaid reimburses the provider for the cost of the service. This includes organizations related to the subcontractor that have a contract with the subcontractor for which the cost or value is ten thousand dollars or more in a twelve-month period.



(F) Preliminary determination by the department

(1) The department will conduct a desk review of each cost report it receives. The desk review is an analysis of the cost report to determine its adequacy, completeness, and accuracy and reasonableness of the data contained therein. It is a process of reviewing information pertaining to the cost report without detailed verification and is designed to identify problems warranting additional review.

(2) Based on the desk review, the department will make a preliminary determination of whether the reported costs are reasonable and allowable costs. "Reasonable and allowable costs" means costs established in accordance with the centers for medicare and medicaid services provider reimbursement manual (publications 15-1 and 15-2, available at <https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals.html>). Before issuing the preliminary determination, the department will notify the provider of any information in the cost report that requires additional support. The provider will submit any documentation or other information requested by the department and may submit any information that it believes supports the reported costs. The department will notify each provider of any costs preliminarily determined not to be reasonable and allowable costs and provide the reasons for the determination.

(3) A provider may revise the cost report within sixty calendar days after the original due date without the revised information being considered an amended cost report.

(4) The cost report is considered accepted after the department has completed the desk review process.

(5) After final rates have been issued, a provider who disagrees with a preliminary determination based on the desk review may request a rate reconsideration in accordance with rule 5123-7-27 of the Administrative Code.

(G) Amending a cost report

(1) Except as provided in paragraph (G)(2) of this rule and not later than three years after a provider files a cost report with the department, the provider may amend the cost report if the provider



discovers a material error in the cost report or additional information to be included in the cost report. The department will review the amended cost report for accuracy and notify the provider of its determination.

(2) A provider may amend a cost report except when the Ohio department of medicaid has notified the provider that an audit of the cost report or a cost report of the provider for a subsequent cost reporting period is to be conducted under section 5124.109 of the Revised Code. The provider may, however, provide the Ohio department of medicaid information that affects the costs included in the cost report to be audited. Such information may be provided prior to the adjudication of the final settlement of the cost report.

(3) The department will not charge interest under division (B) of section 5124.41 of the Revised Code based on any error or additional information that is not required to be reported under this rule. The department will review the amended cost report for accuracy and notify the provider of its determination in accordance with section 5124.107 of the Revised Code.

(H) Retention of records

(1) Financial, statistical, and medical records supporting the cost reports or claims for services rendered to residents will be:

(a) Available to the department, the ohio department of medicaid, and the United States department of health and human services and other federal agencies; and

(b) Retained for the greater of seven years after the cost report is filed if the Ohio department of medicaid issues an audit report, or six years after all appeal rights relating to the audit report are exhausted.

(2) Failure to retain the required financial, statistical, or medical records to the extent that filed cost reports are unauditable renders the provider liable for monetary damages of the greater amount:

(a) One thousand dollars per audit; or



(b) Twenty-five per cent of the amount by which the undocumented cost increased the medicaid payments to the provider during the fiscal year.

(3) Providers whose records have been found to be unauditible will be allowed sixty calendar days to provide the necessary documentation. If, at the end of the sixty calendar days, the required records have been provided and are determined auditible, the proposed penalty will be withdrawn. If the Ohio department of medicaid, after review of the documentation submitted during the sixty-day period, determines that the records are still unauditible, the department will impose the penalty as specified in paragraph (H)(2) of this rule.

(4) Refusing access to financial, statistical, or medical records will result in a penalty as specified in paragraph (H)(2) of this rule for outstanding medicaid services until such time as the requested information is made available to the department or the Ohio department of medicaid.

(5) All requested financial, statistical, and medical records supporting the cost reports or claims for services rendered to residents will be available at a location in the state of Ohio for an ICFIID certified for participation in the medicaid program by this state within at least sixty calendar days after request by the state or its subcontractors. The preferred Ohio location is the ICFIID itself, but may be a corporate office, an accountant's office, or an attorney's office elsewhere in Ohio. This requirement, however, does not preclude the state or its subcontractors from the option of conducting the audit and/or a review at the site of such records if outside of Ohio.