

2022

# Behavioral Health Accounting and Auditing Guidelines



**COLORADO**  
Department of Health Care  
Policy & Financing



**COLORADO**  
Office of Behavioral Health  
Department of Human Services

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# Chapter 1: Overview

## Purpose

These Guidelines, in conjunction with the AICPA Audit and Accounting Guide, Health Care Entities (most recent edition) and the AICPA Audit and Accounting Guide, Not-For-Profit Entities (most recent edition), address two principal objectives:

1. To provide guidelines for recording and reporting revenues and expenses of Colorado's behavioral health services delivery system. They are intended to be:
  - Responsive to the informational needs of Colorado's behavioral health system,
  - Sensitive to constraints and limitations on accounting for and reporting on revenues and expenses within the behavioral health system, and
  - Incorporative of generally accepted accounting principles and auditing standards and procedures.
2. To provide a comprehensive cost reporting system for Colorado's behavioral health providers. The cost reporting system is intended to:
  - Define cost classification and basic cost accounting standards;
  - Capture cost data for services provided;
  - Capture utilization for those services with Current Procedural Technology/Healthcare Common Procedural Coding System (CPT/HCPCS) codes that are included in the Uniform Service Coding Standards Manual, regardless of funding source and/or program;
  - Capture Relative Value Unit (RVU) weights for services with Current Procedural Technology/Healthcare Common Procedural Coding System (CPT/HCPCS) codes that are included in the Uniform Service Coding Standards Manual; and
  - Calculate a base cost per unit of service unique to each provider for RVU-based services provided with Current Procedural Technology/Healthcare Common Procedural Coding System (CPT/HCPCS) codes that are included in the Uniform Service Coding Standards Manual, regardless of funding source and/or program.
  - Calculate a cost per day unique to each provider for non-RVU-based residential and inpatient services provided with Current Procedural Technology/Healthcare Common Procedural Coding System (CPT/HCPCS) codes that are included in the Uniform Service Coding Standards Manual, regardless of funding source and/or program.

## Applicability

These Guidelines are to be observed by providers of behavioral health services under contract, subcontract or general auspices of the Office of Behavioral Health, Colorado Department of Human Services (OBH) and the Colorado Department of Health Care Policy and Financing (HCPF) regardless of the source of the funds (state or federal). Each year, funded providers will file Audited Financial Statements (AFS), per Exhibits A, B and C in the appendix, as well as a Colorado Unit Cost Report, per Exhibit E in the appendix, with OBH and HCPF. All contractors assume responsibility for observance of these Guidelines consistent with underlying agreements and program objectives.

## Updating the Guidelines

On an annual basis, a committee will convene to evaluate these Guidelines for their applicability to the present circumstances and recommend changes. The committee will consist of representatives from OBH, HCPF, and the funded behavioral health providers. Any changes needed to the Guidelines must be agreed upon and implemented by June 30th for implementation in the new fiscal year. OBH and HCPF, as the grant making and funding entities, will have the final authority in approving updates to the Guidelines to ensure compliance with state and federal guidelines.

## Colorado Unit Cost Report Submission Timeline and Deadlines

The timeline below dictates the deadlines for submission, review, and finalization of the Colorado Unit Cost Report. If any of the below dates fall on a weekend or holiday, the due dates will be the following business day.

- November 30** Submission of Colorado Unit Cost Report and all items included in Exhibit F to HCPF and OBH. HCPF-sponsored review of Colorado Unit Cost Report begins.
- March 1** Proposed cost report review findings and adjustments are delivered to providers for their review and consideration.
- March 10** All provider responses must be received by Colorado Unit Cost Report auditors.
- March 15** HCPF-sponsored audit of Colorado Unit Cost Report for all providers concludes. All Colorado Unit Cost Reports are finalized. Submission of annual audited financial statements and final adjusted Colorado Unit Cost Report to OBH.



# Chapter 2: Cost Accounting Standards

## Purpose

These cost accounting standards are designed to promote uniformity and consistency in cost accounting and cost reporting methods along with adequate cost accounting records for behavioral health operations.

**Standard 1** – Consistency of Costs

**Standard 2** – Natural and Functional Classifications

**Standard 3** – Direct and Indirect Cost Definitions

**Standard 4** – Cost Allocation Methodologies

**Standard 5** – Unallowable Costs

**Standard 6** – Rules for Recipients of Block Grant Funds

**Standard 7** – Reporting Period

## Standard 1: Consistency of Costs

Costs are to be accumulated and reported on a consistent basis. Consistency is required in classification of costs as direct or indirect and the method used in allocating indirect costs to direct cost centers and/or programs.

Reasonable documentation of information trails is required to permit tracking of classified costs to the reported actual costs. Comparative reports of historical costs of operations, programs and services also require adherence to the same rules of consistency. Providers are required to report data uniformly, which helps to measure relative efficiency of providers, ensure services are provided equitably across the state, and evaluate effectiveness of programs. These standards will provide OBH, HCPF, and the funded behavioral health providers with essential information for contract management.

## Standard 2: Natural and Functional Classifications

Applicable accounting standards require maintenance of accounting records that reflect the classification of expenses by both natural and functional categories. Expenses should be coded at the time of initial recording to accomplish both the natural and functional classification. These terms are defined in the AICPA Audit and Accounting Guide, Not-for-Profit Entities (most recent edition) and AICPA Audit and Accounting Guide, Health Care Entities (most recent edition) as:

**Functional expense classification:** A method of grouping expenses according to the

purpose for which costs are incurred. The primary functional classifications are program services and supporting activities. The functional reporting classifications are dependent upon the type of services rendered by the organization.

Note that the functional classifications are defined by the columns on Schedule 1 of the Colorado Unit Cost Report (described in Chapter 4).

**Natural expense classification:** A method of classifying expenditures according to the nature of the expense such as salaries and wages, employee benefits, supplies, and purchased services.

Note that the natural classifications are used in the annual audited financial statements (described in Chapter 3) and are defined by the rows on Schedule 1 of the Colorado Unit Cost Report (described in Chapter 4).

Total expenses categorized under the natural classifications in the annual audited financial statements must include all independent financial statement auditor adjustments and reconcile to Schedule 1 of the Colorado Unit Cost Report (Exhibit E). All gains and losses on asset sales are to be recorded in accordance with generally accepted accounting principles in both the annual audited financial statements and the Colorado Unit Cost Report.

### **Standard 3: Direct and Indirect Cost Definitions**

Items of cost incurred by the providers should be classified consistently between direct costs and indirect costs as defined below:

**Direct costs** are costs that can be traced directly to a cost center and/or program. In general, costs should be treated as direct to cost centers and/or programs when they are incurred in support of a specific cost center and/or program. This includes both direct service costs, such as salaries and wages for direct service staff, and administrative and operating costs that can be directly attributable to a certain program or service, such as supplies for a specific program.

Other accounting professionals and guidelines may refer to direct administrative costs as indirect traceable costs. To remain consistent with prior Guidelines used in Colorado and to avoid any potential confusion over shifting definitions, these indirect, but traceable costs, are classified as direct program administrative and operating costs.

**Indirect costs** include costs that are not easily assignable to a specific cost center and/or program and are incurred by the organization for a common purpose benefiting the facility as a whole or a range of programs.



## **Standard 4: Cost Allocation Methodologies**

After using the definitions of direct and indirect costs in Standard 3 to classify costs, costs must be either assigned or allocated to the appropriate cost centers and/or programs. The methodology for allocating costs varies for direct and indirect. Each cost allocation method is discussed below:

### **Method 1: Direct Assignment**

Direct program administrative and operating costs, such as personnel salaries, fringe benefits, contracted costs, and supplies that benefit and can be traced directly to a cost center and/or program should be assigned directly to the benefitting cost center and/or program. All unallowable costs, such as advertising and fines and penalties, should be directly assigned to an “unallowable” cost center/program and are not an allocation of indirect costs.

### **Method 2: Allocation Across Specific Programs**

Costs that directly benefit more than one cost center and/or program should be allocated to the cost centers and/or programs that benefit from them. An example is the operating expense of a building that is used to provide services to clients in multiple programs. Since this is an item of cost traceable to several cost centers and/or programs, it is allocated to the benefitting cost centers and/or programs based on a statistic, such as square footage.

### **Method 3: Allocation Across All Programs**

Costs that benefit the organization as a whole and are not directly traceable to any specific cost center and/or program separately should be allocated to all programs and/or cost centers. Indirect costs that benefit all programs and/or cost centers include administrative costs such as the Executive Director, Finance/Accounting department and the IT department.

The methods for allocating costs must produce an equitable and consistent distribution of costs (e.g. all activities that benefit from the indirect costs, including unallowable activities, must receive an appropriate allocation of indirect costs).

When allocating costs, whether allocating direct costs to multiple benefitting cost centers and/or programs or allocating indirect costs to all cost centers and/or programs, statistics and methodologies must be documented and maintained in order to support the distribution of such costs. Such documentation must be available upon request.

Examples of acceptable methods for allocating salaries and other personnel costs to different functional expense classifications include:

- Journal entries in the accounting system supported by contemporaneous time records;
- Service activity logs or unit increments captured during the cost reporting period; or
- Time study for a minimum of four weeks performed during the cost reporting period.

Time study must be based on documented records, reviewed periodically, and adjusted accordingly.

Employees paid in full or in part with federal funds must adhere to Standards For Documentation of Personnel Expenses identified in 2 CFR 200.430. If a provider uses a different methodology to allocate direct service personnel costs based on time spent, supporting documentation must be maintained and made available upon request. Any allocation of costs must reasonably assign costs to the columns based on sound accounting principles.

The following table provides the suggested statistics that providers can use to allocate costs to cost centers and/or programs. Providers must maintain and make available supporting documentation of their allocation methodologies. This list is not comprehensive but for illustration purposes only:

<b>Type of Direct or Indirect Expenditure</b>	<b>Suggested Allocation Statistic (When Unable to Assign to One Cost Center and/or Program)</b>
Direct Service Salaries and Benefits	Service Activity Log - Staff Time
Purchased Services	Service Activity Log - Staff Time
Staff Travel	Service Activity Log - Staff Time
Salaries & Benefits – Direct Service Supervision & Service Administration	Service Activity Log - Staff Time
Supplies	Full Time Equivalents (FTEs)
Occupancy/ Depreciation/ Interest	Square Footage or FTEs
Operation of Plant	Square Footage or FTEs
Human Resources	FTEs
Administration & General	Accumulated Cost
Maintenance & Repairs	Square Footage or FTEs
Housekeeping	Square Footage or FTEs
Central Services and Supplies	Costed Requisitions

These standards for assigning direct costs and allocating direct and indirect costs to cost centers and/or programs are to be used by all providers.

## Cost Allocations in Residential and Inpatient Facilities

Proper matching of costs and units must be maintained when categorizing between RVU and non-RVU-based services. Some residential and inpatient facilities incur expenses for both RVU and non-RVU-based services.

In accordance with the instructions for Schedule 1, the costs of providing encounter-based services with RVU weights that are:

- Combined and billed as a bed day are to be classified under Column 4. The RVU-based units that are combined and billed as a bed day are not to be included in Schedule 3 or 3A.
- Billed separately from bed days, such as professional services in an inpatient setting (therapy, medication management, evaluations, etc.), are to be classified under Column 3. The RVU-based units that are billed separately are to be included in Schedule 3 or 3A.

The allocation of costs between RVU and non-RVU-based services provided in a residential or inpatient facility must be based on a reasonable statistic. Documentation to support the allocation basis must be maintained and made available upon request.

## Standard 5: Unallowable Costs

Certain costs are unallowable for reimbursement by OBH and HCPF or are only allowable in certain situations. The accounting system needs to be established for these costs to be readily identified so they can be segregated from the allowable cost categories. Definitions of these costs, both those that are wholly non-allowable and those that are unallowable in certain situations, are detailed below.

### Advertising and Public Relations Costs

The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

The only allowable advertising costs are:

- Costs for the recruitment of personnel;
- Costs for the procurement of goods and services for the performance of a specific contract;
- Costs related to the disposal of scrap or surplus materials acquired in the performance of a specific contract except when entities are reimbursed for disposal costs at a predetermined amount; or

- Costs for program outreach and other specific purposes necessary to meet the requirements of a specific contract.

The only allowable public relations costs are:

- Costs explicitly required by a specific contract;
- Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of a specific contract (these costs are considered necessary as part of the outreach effort for a specific contract); or
- Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

Unallowable advertising and public relations costs include the following:

- Costs of meetings, conventions, convocations, or other events related to other activities of the entity, including:
  - Costs of displays, demonstrations, and exhibits;
  - Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
  - Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
- Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
- Costs of advertising and public relations designed solely to promote the entity to increase patient utilization.
- All other advertising and public relations costs unless specified as allowable above.

### **Alcoholic Beverages**

The cost of alcoholic beverages is unallowable.

### **Bad Debts**

Any losses arising from uncollectible accounts and other claims and related costs are unallowable.

### **Contingency Reserve**

Contributions to a contingency reserve or any similar provision for unforeseen events are unallowable. The term "contingency reserve" excludes self- insurance reserves; pension funds; and reserves for normal severance pay.

## Donations and Contributions

The value of contributions and donations made to other organizations or received from other organizations, including cash, the purchase of tickets or tables at fundraising events for other providers, property such as material and building space, services such as volunteer services or hospital care, or any in-kind such as donated psychiatric medications, regardless of the recipient, are unallowable.

## Defense and Prosecution of Claims Plus Civil and Criminal Proceedings

Costs resulting from violations of or failure to comply with federal, state and local laws and regulations are unallowable.

## Depreciation

The computation of depreciation or use allowances *will exclude*: (1) The cost of land; (2) Any portion of the cost of buildings and equipment specially funded or donated by the State or Federal Government irrespective of where title was originally vested or where it presently resides; and (3) Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.

Under cost accounting standards, a plant or equipment asset cannot be depreciated using any accelerated methods. Definition of unallowable methods is included below:

**The accelerated methods:** There are two methods of accelerated depreciation. They are called accelerated because they provide more annual depreciation expense in the earlier years of the asset's life and less depreciation expense in the later years. In accelerated methods, the amount of annual depreciation is determined using a depreciation rate, which is either fixed or variable. The two accelerated methods are the declining balance (DB) method, where the value of the asset at the beginning of each year is multiplied by a fixed depreciation rate, and the sum-of-the-years'-digits (SYD) method, where the annual depreciation is calculated by multiplying the depreciable cost by a schedule of fractions based on the sum of the digits of the useful life of the asset (e.g., for an asset with a useful life of four years the digits are summed to 10 (4+3+2+1), and the depreciation rate is 4/10 (2/5) for the first year, 3/10 for the second year, 2/10 (1/5) for the third year, and so on).

Once a depreciation method is selected for an asset, the provider must consistently depreciate the asset by this method.

## Direct Salary in Excess of Limit

The direct salary amounts for the five highest-paid non-clinical employees will be subject to an annually-established limit. Direct salary amounts for those individuals should be identified on Schedule 1A of the Colorado Unit Cost Report; amounts in excess of the limit will be automatically calculated on Schedule 1A and automatically reclassified to Unallowable on

Schedule 1. For purposes of this calculation, direct salary includes wages and bonus, but does not include other compensation such as company-sponsored vehicles. If an individual serves in a dual clinical and non-clinical capacity, only the non-clinical portion of their direct salary will be subject to this limitation; the calculation of the clinical portion of direct salary should be documented and based on reasonable allocation methods that appropriately apportions costs.

### **Entertainment Costs**

Costs of entertainment, including amusement, diversion, and social activities and any associated costs such as meals, lodging, rentals, transportation, and gratuities are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for a contract award or with prior written approval of the awarding agency.

### **Fines and Penalties**

Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

### **Fundraising**

Costs of organized fundraising, including financial campaigns, advertising for fundraising purposes, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. Costs of grant writing, including personnel and grant reporting, are allowable.

### **Goods or Services for Personal Use**

Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

### **Housing and Personal Living Expenses**

Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. The term "officers" includes current and past officers and employees.

These costs are allowable as direct costs to a sponsored award when necessary for the performance of the sponsored award and approved in writing by awarding agencies. Written documentation must be maintained to support such approval.

### **Idle Facilities**

The costs of idle facilities are unallowable except to the extent that:

- They are necessary to meet fluctuations in workload; or
- Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subparagraph, costs of idle facilities are allowable for:
  - A reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities; and
  - The idle facility capital cost does not exceed 10% of the facility's total capital cost. Capital costs are defined as facility depreciation, facility interest and or facility lease payments.

## Interest

Costs incurred for interest on borrowed capital (i.e. loans, bonds, lines of credit, capital leases, etc.), temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable.

Interest related to the construction or purchase of a facility is allowable unless the debt arrangement exceeds \$1 million dollars and the initial equity contribution was less than 25%. This situation requires a calculation of cash flows to determine the amount that is unallowable.

See [2 CFR 200.449 \(c\)\(7\)\(ii\)](http://www.ecfr.gov/cgi-bin/text-idx?SID=700fa613fba6b28f8072084a0d76b3b4&node=se2.1.200_1449&rgn=div8) for more detail at [http://www.ecfr.gov/cgi-bin/text-idx?SID=700fa613fba6b28f8072084a0d76b3b4&node=se2.1.200\\_1449&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=700fa613fba6b28f8072084a0d76b3b4&node=se2.1.200_1449&rgn=div8)

## Investment Costs

Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are unallowable.

## Less-than-arm's-length Transactions

All costs under "less-than-arm's-length" transactions are allowable only up to the amount of actual costs incurred by the non-Federal entity. Costs in excess of the originating related party's actual costs of providing services are not allowed. For this purpose, a less-than-arm's-length transaction is one under which one party to the transaction is able to control or substantially influence the actions of the other or fall under common control. Transactions defined as "less-than-arm's-length" for the purpose of calculating the base unit cost may differ from those identified as related party transactions in the non-Federal entity's audited financial statements. Examples of less-than-arm's-length transactions include leases, management agreements, or administrative service agreements between a parent and subsidiary or commonly-owned subsidiaries. Related party transactions should be identified on Schedule 1C of the Colorado Unit Cost Report; amounts in excess of the actual cost will be automatically calculated on Schedule 1C

and automatically reclassified to Unallowable on Schedule 1.

### **Lobbying**

Lobbying costs, including membership fees in trade organizations that employ lobbyists, are unallowable except for costs of providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.

### **Maintenance and Repair Costs**

Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life shall be treated as capital expenditures, not expenses.

### **Memberships**

Costs of membership in any country club or social or dining club are unallowable.

### **Outreach**

Costs incurred to perform outreach services into the general community are unallowable. Outreach activities targeted at a specific client population of the provider (i.e. Medicaid or Indigent as defined by OBH) with the intent of making individuals aware of the services available and how to access them are allowable. An example of allowable outreach is a billboard that includes text such as “free to Medicaid members.”

### **Personal Gifts**

Costs of personal gifts are unallowable.

### **Prior Period/Subsequent Period**

Costs for services which occurred in a prior or subsequent fiscal year are unallowable. All reimbursement must be for the cost of services rendered during the contract year only, based on accrual accounting.

### **Rental Costs of Real Property and Equipment**

(a) Subject to the limitations described below, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market



conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

(b) Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under “less-than-arm's-length” leases are allowable only up to the amount as explained in paragraph (b) of this section. For this purpose, a less-than-arm's-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other.

### **Retainer Fees**

Retainer fees are allowable but must be supported by evidence of bona fide services available or rendered.

### **Severance Pay**

Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by organizations to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (i) law, (ii) employer-employee agreement, (iii) established policy that constitutes, in effect, an implied agreement on the organization's part, or (iv) circumstances of the particular employment. Costs incurred in certain severance pay packages (commonly known as "a golden parachute" payment) which are in an amount in excess of the normal severance pay paid by the organization to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the organization's assets are unallowable. Costs related to severance pay paid in exchange for, or in association with, the signing of non-disclosure agreements are unallowable.

### **Travel Expenses**

Travel expenses are allowable for only official functions. Reimbursement for such expenses may not exceed economical and reasonable costs. Reimbursement may not exceed actual costs or per diem for staff members. Costs for official travel may not exceed the limits set by the Internal Revenue Service.

## **Standard 6: Rules for Recipients of Block Grant Funds**

### **Block Grants for Community Mental Health Services**

Recipients of Block Grant funds for Community Mental Health Services must follow the

guidance in 2 CFR Part 200, Exhibit XI Section 4-93.958 (CFDA 93.958 Section III.A.):

#### **A. Activities Allowed or Unallowed**

1. Services provided with grant funds shall be provided only through appropriate, qualified community programs (which may include community mental health centers, child mental health programs, psychosocial rehabilitation programs, mental health peer support programs and mental health primary consumer-directed programs). Services under the plan will be provided through community mental health centers only if the services are provided as follows:
  - a. Services principally to individuals residing in a defined geographic area (service area);
  - b. Outpatient services, including specialized outpatient services for children, the elderly, individuals with serious mental illness, and residents of the centers who have been discharged from inpatient treatment at a mental health facility;
  - c. 24-hours-a-day emergency care services;
  - d. Day treatment and other partial hospitalization services or psychosocial rehabilitation services; or
  - e. Screening for patients being considered for admission to State mental health facilities to determine the appropriateness of such admission (42 USC 300x-2(b) and (c)).

### **Block Grants for Prevention and Treatment of Substance Abuse**

Recipients of Block Grant funds for Prevention and Treatment of Substance Abuse must follow the guidance in 2 CFR Part 200, Exhibit XI Section 4-93.959 (CFDA 93.959 Section III.A.):

#### **A. Activities Allowed or Unallowed**

1. The State shall not use grant funds to provide inpatient hospital services except when it is determined by a physician that (a) the primary diagnosis of the individual is SA and the physician certifies this fact; (b) the individual cannot be safely treated in a community based non-hospital, residential treatment program; (c) the service can reasonably be expected to improve an individual's condition or level of functioning; and (d) the hospital based SA program follows national standards of SA professional practice. Additionally, the daily rate of payment provided to the hospital for providing the services to the individual cannot exceed the comparable daily rate provided for community based non-hospital residential programs of treatment for SA and the grant may be expended for such services only to the extent that it is medically necessary (i.e., only for those days that the patient cannot be safely treated in a residential community based program) (42 USC 300x-31(a) and (b); 45 CFR sections 96.135(a)(1) and (c)).

2. Grant funds may be used for loans from a revolving loan fund for provision of housing in which individuals recovering from alcohol and drug abuse may reside in groups. Individual loans may not exceed \$4,000 (45 CFR section 96.129).
3. Grant funds shall not be used to make cash payments to intended recipients of health services (42 USC 300x-31(a); 45 CFR section 96.135(a)(2)).
4. Grant funds shall not be used to purchase or improve land, purchase, construct, or permanently improve (other than minor remodeling) any building or any other facility, or purchase major medical equipment. The Secretary may provide a waiver of the restriction for the construction of a new facility or rehabilitation of an existing facility, but not for land acquisition (42 USC 300x-31(a); 45 CFR sections 96.135(a)(3) and (d)).
5. The State shall not use grant funds to satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funding (42 USC 300x-31(a); 45 CFR section 96.135(a)(4)).
6. Grant funds may not be used to provide financial assistance (i.e., a subgrant) to any entity other than a public or non-profit entity. A State is not precluded from entering into a procurement contract for services, since payments under such a contract are not financial assistance to the contractor (42 USC 300x-31(a); 45 CFR section 96.135 (a)(5)).
7. State shall not expend grant funds to provide individuals with hypodermic needles or syringes so that such individuals may use illegal drugs (42 USC 300ee-5; 45 CFR section 96.135 (a)(6) and Pub. L. No. 106-113, Section 505).
8. Grant funds may not be used to enforce State laws regarding sale of tobacco products to individuals under age of 18, except that grant funds may be expended from the primary prevention set-aside of SABG under 45 CFR section 96.124(b)(1) for carrying out the administrative aspects of the requirements such as the development of the sample design and the conducting of the inspections (45 CFR section 96.130 (j)).
9. No funds provided directly from SAMHSA or the relevant State or local government to organizations participating in applicable programs may be expended for inherently religious activities, such as worship, religious instruction, or proselytization (42 USC 300x-65 and 42 USC 290kk; 42 CFR section 54.4).

## **Standard 7: Reporting Period**

The cost accounting period is the state fiscal year used by OBH and HCPF which begins annually on July 1st.

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These cost accounting standards guide the accounting of costs in the Annual Audited Financial Statements (Exhibits A, B and C) and the Colorado Unit Cost Report (Exhibit E). Please refer to Chapters 3 and 4 for specific instructions on completing these forms. Note that the Annual Audited Financial Statements, including all auditor adjustments, must reconcile to the Colorado Unit Cost Report.

# Chapter 3: Auditing and Financial Reporting Guidelines

The auditing and financial reporting guidelines specify the accounting treatment for assets, liabilities, net assets, revenue and expenses. The guidelines, as well as detailed methods for applying them, are best referenced in the most recent edition of the AICPA Audit and Accounting Guide, Health Care Entities. Notations are made here of any specific behavioral health service issues. The following behavioral health entities are required to provide annual audited financial statements:

- Community Mental Health Centers (CMHCs)
- Managed Service Organizations (MSOs)
- Behavioral health or substance use disorder clinics

## **Community Mental Health Centers (CMHC) and Clinics**

Substantially all CMHCs and clinics will utilize the American Institute of Certified Public Accountants Guide for Health Care Entities. Certain exceptions to this may exist because they may qualify to use the AICPA Guide for Not-For-Profit Entities. Providers must decide whether they are a health care entity or a not-for-profit entity in terms of how they will report and track their expenses. Example financial statements can be found in Exhibits A, B and C that provide greater detail into suggested financial statement reporting options. Which guide to use will require the judgment of the CMHC and their auditor. Excerpts from these guidelines are listed below concerning circumstances under which each guide is utilized. As a general guideline, if the provider receives a majority of its support from public grants and donations from the general public rather than fee-for-services, capitated care contracts or other health care types of payments, they may use the guide for audits of Not-For-Profit organizations. If an organization operates under the Medical Model, they should follow the Health Care Audit Guide. Organizations that consider themselves a health and welfare entity should follow the Not-For-Profit Audit Guide. If the Health Care Audit Guide is not utilized, the provider will still be required to present the supplemental information concerning services provided and the costs associated with those services.

## **Managed Service Organizations (MSO)**

Agencies contracting directly with the State of Colorado are referred to as Managed Service Organizations (MSOs). Agencies selling services to MSOs are referred to as Sub-recipients.

MSOs and Sub-recipients are expected to have adequate accounting and information systems in place to provide the data needed to meet the accounting and reporting requirements under the MSO and Sub-Recipient contracts. The internal control and quality assurance system must be adequate to provide for the accounting and reporting requirements. Auditors are expected to review the adequacy of the internal controls.

## Internal Controls

- a. Consideration of the internal control system in a financial statement audit describes the elements of internal control and explains how an independent auditor should consider the internal control system in planning and performing an audit. An entity's internal control system consists of five elements: control environment, risk assessment, information and communication, monitoring, and control activities.
- b. To plan the audit, the auditor obtains a sufficient understanding of each of the five elements by performing procedures to gain an understanding of the policies and procedures. The auditor should then conduct tests or other procedures to confirm the auditor's understanding of the system.
- c. After obtaining an understanding of the elements of the internal control system, the independent auditor assesses control risk for the assertions embodied in the account balance, transaction class, and disclosure components of the financial statements. The independent auditor uses the knowledge provided by the understanding of the internal control system and the assessed level of control risk in determining the nature, timing and extent of substantive tests for financial statement assertions.

## Expense Classifications and Allocation Methodologies

Expense categories will be required to be reported by natural classification on the statement of operations in the Annual Audited Financial Statements. The expense categories required are more specific than generally accepted accounting principles, as follows:

- Personnel
- Client Related
- Occupancy
- Operating
- Depreciation and Amortization
- Professional fees
- Donations

The following details what is to be included in each of the above totals:

<b>Expense Description</b>	<b>Used for</b>
<b>Personnel Costs</b>	
Salaries, Payroll Taxes and Employee Benefits	Salaries paid to regular employees, full or part-time, and temporary employees other than consultants and others engaged on an individual contract basis and the related taxes and costs of employee health insurance and retirement benefit plans.
<b>Client Related Costs</b>	
Client Salaries, Taxes and Benefits	Salaries paid to clients and related taxes and benefits
External Doctors, Clinics and Hospitals	Amounts paid to external doctors, clinics and hospitals for services to clients
Client Food	Cost of food provided to clients
Medical Supplies and Laboratory	Cost of medical supplies and laboratory fees
Medications	Cost of medications used by clients
Purchases from Other Providers	Expenses for purchasing services from other providers that provide the same or similar services
Supplies and Travel	Cost of supplies used by clients (i.e. recreation and craft materials) and the cost of transporting clients to and from programs
<b>Occupancy Costs</b>	
Janitorial	
Maintenance and Supplies	
Property Insurance	Expenses resulting from an agency's occupancy and use of owned, rented, leased or donated building and offices
Rent	
Real Estate Taxes	
Utilities	
<b>Operating Costs</b>	



Expense Description	Used for
Dues, Fees, Licenses and Subscriptions	Costs of memberships in other organizations, publications, bank and collection fees, licenses, etc.
Equipment Rentals and Maintenance	Costs of renting or leasing and maintaining equipment such as computers, office equipment and program equipment
Insurance	Costs, paid or accrued, of premiums for insurance contracts to reimburse the organization for revenue or property loss caused by various types of events over which the agency has no control (i.e., fire, theft, content and liability)
Interest	Costs of borrowing money (subject to restrictions noted in Standard 5: Unallowable Costs)
Office Supplies	Costs of office supplies and low cost furniture and equipment that is not capitalized
Postage, Printing and Copying Costs	Costs of postage, internal and external printing and copying costs for such items as brochures, manuals and pictures
Telephone	Costs of telephone and other electronic communication expenses
Travel, Conferences and Staff Development	Expenses of staff travel including mileage allowances, hotel, meals and incidental expenses and expenses associated with providing formal internal and external staff development programs including training classes, meeting space and equipment rentals
Automobile Expenses	Costs of agency-owned or leased vehicles
<b>Depreciation and Amortization</b>	Depreciation and amortization expense for depreciable assets owned by the agency
<b>Professional Fees</b>	Fees and expenses of professional practitioners and consultants who are not employees of the agency and are engaged for specified services on a fee or other individual contract basis

Expense Description	Used for
<b>Donations (Donated In-Kind or Cash)</b>	Value of donations made to other organizations or received from other organizations for cash, material and building space, volunteer services, hospital care, and donated psychiatric medications

## General Auditing Guidelines

These auditing and reporting guidelines have been prepared to assist the independent public accountant (auditor) in examining and reporting on the financial statements in Colorado. OBH and HCPF encourage the maximum possible uniformity in financial reporting.

The actual conduct of the financial audit is governed by Generally Accepted Auditing Standards and other authoritative pronouncements of the profession particularly the AICPA Audit and Accounting Guide, Health Care Entities, as well as the requirements contained elsewhere in this guide.

OBH and HCPF require that the independent auditor of the financial statements have current AICPA peer review documents on file. The organization must follow the cost accounting and auditing guidelines outlined in OMB 2 CFR 200, Audits of States, Local Governments, and Non-Profit Organizations. The auditors, in conjunction with the organization, are responsible for determining if the organization is subject to 2 CFR 200 Subpart F audit requirements. If applicable, the auditor will be required to follow the Generally Accepted Governmental Audit Standards (GAGAS) in the conduct of the audit. The entity and its auditor will still be required to provide the supplemental information and related accountants' reports as contained in the example financial statements included herein. OBH/HCPF guidelines, as outlined in this section, assume that the auditor will follow those standards and pronouncements.

## Financial Statement Auditing Guidelines

The annual audited financial statements are the primary documents used to calculate the organization's service costs. The audits of these financial statements provide credibility to the reimbursement system presented to the legislature, as financial statement information is subjected to independent audit procedures including testing of controls and the validity of supporting documentation. Required financial statements are presented in Exhibits A, B and C; however, if changes are made to the AICPA Audit and Accounting Guide, Health Care Entities, conforming changes must be made to the financial statement presentation.

All transactions with related parties (i.e., Parent Company/Management Fees, lease expenses, etc.) must be disclosed in a report of Related Party Transactions (part of the Cost Report Review Questionnaire included in Exhibit F). If no fair market value (FMV) is readily available for a related party transaction, this must be noted on the schedule.

## **Management Letter**

The auditor is required to communicate to the board of directors of the organization any material weaknesses or significant deficiencies in accordance with Statement on Auditing Standards (SAS) 115. In addition, oftentimes auditors communicate other control matters referred to as management letters.

OBH and HCPF require copies of SAS 115 communications and management letters along with a copy of the response by the management to its Board.

Care should be exercised by the auditor to ensure that management letter comments which represent findings to be reported under the requirements of OMB 2 CFR 200 Subpart F are appropriately included in the applicable report.

# Chapter 4: Instructions for the Colorado Unit Cost Report

## Purpose

In addition to completing annual audited financial statements (Exhibits A, B and C), the providers must also complete a Colorado Unit Cost Report (Exhibit E) that requires detailed reporting of expenses and utilization. These schedules capture the data necessary to calculate the base unit cost and per diem costs for each provider which are used in the service pricing methodologies of HCPF and OBH.

## Schedule 1: Expenses

### Expenses by Functional Classification

As described in Chapter 2, Standards 2 through 4, the provider will perform an expense classification process to separate expenditures into functional cost centers and/or programs. This functional classification will be used to summarize items of costs and allow for assignment or allocation of costs to the appropriate functional columns on the Colorado Unit Cost Report.

Proper allocation across columns may involve splitting the costs of some cost centers and/or programs across multiple columns based on the services provided by these cost centers and/or programs (i.e. encounter-based vs. non-encounter-based). Providers must maintain and make available supporting documentation of their allocation methodologies.

The functional columns defined on Schedule 1 of the Colorado Unit Cost Report are as follows:

#### *Column 1 – Full Time Equivalent (FTEs)*

A non-duplicative count of all Full Time Equivalent employees based on an annual number of hours worked. An FTE is based on annual number of hours worked (2,080 hours).

#### *Column 2 – Indirect (Not Traceable to Direct Cost Centers and/or Programs)*

The costs associated with the Executive Director, CFO, Accounting, IT, and other administrative functions essential to the operation of the organization are indirect staff. Expenses that are not directly traceable to a cost center and/or program will be reported discretely in this column and allocated out to the remaining columns.

#### *Column 3 – Encounter-based Services with RVU Weights and All Integration Services*

The costs related to the provision of outpatient services which generate encounters with approved CPT/HCPCS billing codes and have established RVU weights assigned to them, and the costs

related to the provision of services integrated with physical healthcare services. Column 3 should not include costs of any RVU services that are provided in an inpatient hospital setting, as these should be included in Column 4 (All Inpatient Hospital Services and Residential Services without RVU Weights).

*Column 4 – All Inpatient Hospital Services and Residential Services without RVU Weights*

**ATU or CSU:** For costs of providing encounter-based services without RVU weights in an ATU or CSU, including labs and medications. The costs of providing encounter-based services with RVU weights in an ATU that are combined and billed as a bed day are to be classified under Column 4.

The costs of providing encounter-based services with RVU weights in an ATU that are billed separately from bed days, such as professional services in an inpatient setting (therapy, medication management, evaluations, etc.), are to be classified under Column 3, Encounter-based Services with RVU Weights, noted above.

**Inpatient Hospital:** For all costs of providing inpatient services with and without RVU weights in a hospital setting, including labs and medications.

**Residential:** For costs related to the provision of residential services in a 24 hour supervised residential program which generate encounters, but do not have established RVU weights assigned to them. These residential services are provided in Short-Term Residential Treatment Facilities, Long-Term Residential Treatment Facilities, or Acute Treatment Facilities. The costs of providing encounter-based services with RVU weights in a 24 hour supervised residential program that are combined and billed as a bed day are to be classified under Column 6.

The costs of providing encounter-based services with RVU weights that are billed separately from bed days, such as professional services in a residential setting (therapy, medication management, evaluations, etc.), are to be classified under Column 3, Encounter-based Services with RVU Weights.

**Withdrawal Management:** For costs related to the provision of withdrawal management (formerly known as detox) services that generate encounters without RVU weights and that do not generate encounters. This includes 3.2 clinically managed withdrawal management and 3.7 medically

monitored withdrawal management.

*Column 5 – Other Encounter-Based Services without RVU Weights and Other Non-Encounter-Based Services*

The costs of encounter-based services that do not have established RVU weights assigned to them such as OBH Early Childhood direct services, some capacity-funded programs, pharmacy encounters, emergency encounters (without RVU weights) and lab encounters not included in Column 4.

Also, the costs of programs that do not generate encounters such as costs of some capacity-funded programs, housing services, or other non-encounter-based services that are unfunded or funded by outside grantors.

The direct costs of contracted lab services and pharmaceuticals such as psychiatric medications (including injectable medications) not included in Column 4. These costs should be distinctly identified in the accounting records (i.e. recorded in their own general ledger accounts) in order to allow for proper cost reporting.

Note: The costs of encounter-based services with established RVU weights that are paid for by capacity-funded programs (i.e. RVU-based services provided to a client that is ‘self-pay’ or has a third party payer but for which the provider was not reimbursed) or any other payer should be included in Column 3.

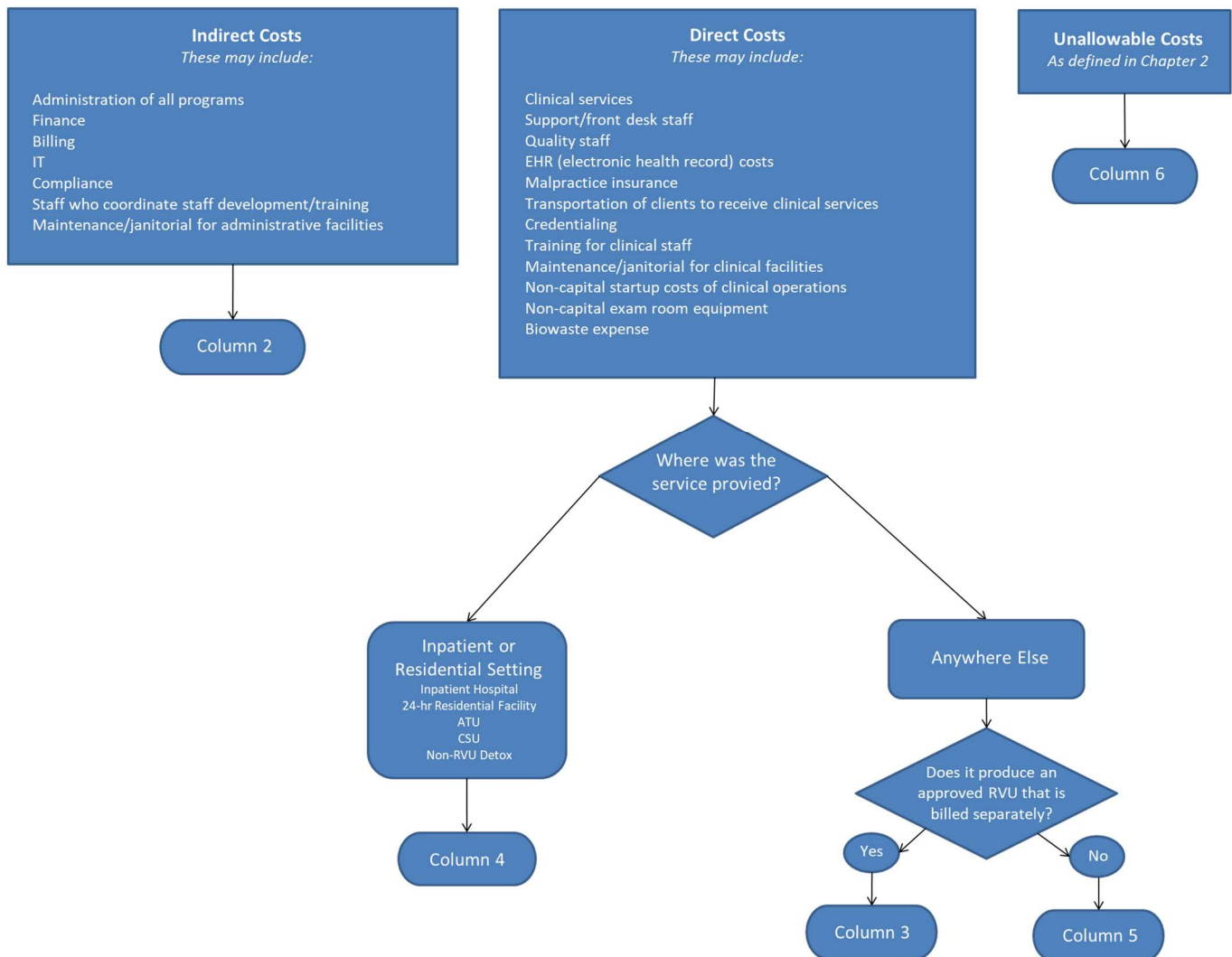
*Column 6 – Unallowable*

The costs identified as unallowable per Chapter 2 Standard 5.

*Column 7 – Total*

This column automatically sums all previous columns containing cost.

# FY22 Unit Cost Report Allocation Methodology



**\* Contracted and Unfunded Services** are those services that do not produce encounters or produce encounters without established RVU's that are unfunded or funded by outside grantors (i.e. OBH Early Childhood direct services, portions of capacity-funded programs, pharmacy encounters, emergency encounters (without RVU weights) and lab encounters).

The costs of contracted lab services and pharmaceuticals such as psychiatric medications, including injectable medications belong in Column 7, except when they are incurred at ATU's, CSU's and inpatient hospitals.

**The costs of all services that produce encounters with established RVU weights that are billed separately should be included in Column 3, regardless of payer, except for inpatient hospitals.**

## Expenses by Natural Classification

Schedule 1 records the trial balance for the provider at the end of the reporting period. The costs reported on Schedule 1 must come directly from the provider's trial balance and any auditor adjustments that have not been included in the provider's trial balance, which includes all activities conducted by the reporting entity. The standard preprinted line numbers and column descriptions cannot be changed or modified by the provider.

### DIRECT CLIENT SERVICE PERSONNEL COSTS

This section contains the costs for the clinical and direct care staff reported in all functional cost centers and/or programs.

#### *Line 1 – Clinical, Licensed Physicians*

The salary, bonus, and commissions for medical doctors (MDs) and psychiatrists operating in a direct client service role (full time, part time, and temporarily), not including amounts paid to consultants or others engaged on an individual contract basis.

#### *Line 2 – Clinical, Licensed Non-Physicians*

The salary, bonus, and commissions for all licensed clinical staff operating in a direct client service role (full time, part time, and temporarily), not including amounts paid MDs and psychiatrists, or to consultants or others engaged on an individual contract basis.

#### *Line 3 – Other Clinical or Direct Client Service (BS, Peers, Case Mgmt, etc.)*

The salary, bonus, and commissions for all other staff operating in a direct client service role, such as employees serving as peers, case managers, or who otherwise provide direct client services under the 1915(b)(3) Waiver Program (termed “b3 services” herein).

#### *Line 4 – Benefits and Payroll Taxes*

The costs associated with employee benefits (such as worker's compensation insurance, unemployment insurance, employee health insurance, and retirement benefits) and payroll-related taxes for the personnel reported in Lines 1 through 3.

#### *Line 5 – Direct Client Service Personnel Total*

This line automatically sums the costs reported in Lines 1 through 4.

### OPERATIONS PERSONNEL COSTS

This section contains the costs for all other staff, including executive and administrative staff who are not directly assignable to a cost center and/or program.

#### *Line 6 – Executive Leadership*

The salary, bonus, and commissions for executive management employees



*Line 7 – Other Operations Personnel*

The salary, bonus, and commissions for all other administrative personnel and non-clinical staff not included in any previous lines.

*Line 8 – Benefits and Payroll Taxes*

The costs associated with employee benefits (such as worker’s compensation insurance, unemployment insurance, employee health insurance, and retirement benefits) and payroll-related taxes for the personnel reported in Lines 6 through 7.

*Line 9 – Operations Personnel Total*

This line automatically sums the costs reported in Lines 6 through 8.

**DIRECT SALARY LIMITATIONS**

*Line 10 – Excess Salary Above Limit*

This automatically pulls the total by column from the calculation on Schedule 1A, Non-Clinical Direct Salary Limit, and reclassifies amounts for Columns 2 through 5 into Column 6, Unallowable. No data input is necessary here.

*Line 11 – Total Excess Salary Above Limit*

This automatically pulls the amount reported in the previous line.

**OTHER EMPLOYEE-RELATED COSTS**

*Line 12 – Employee Recruitment*

The costs associated with the recruitment of personnel, including employment advertising and online search tools.

*Line 13 – Other Employee-Related*

All other costs associated with the employment of personnel that have not been included in previous lines or not applicable to those identified as Operating Costs, below.

*Line 14 – Other Employee-Related Total*

This line automatically sums the costs reported in Lines 12 through 13.

**TOTAL EMPLOYEE COSTS**

*Line 15 – Total Employee Costs*

This line automatically sums the costs reported in Lines 5, 9, 11, and 14.

**CONTRACTED PERSONNEL COSTS**

*Line 16 – Clinicians or Clinical Services Contracted Personnel*

The costs associated with consultants or others engaged on an individual contract basis to

perform direct client service.

*Line 17 – Other Contracted Personnel*

The costs associated with all other non-clinical contracted personnel not identified as Operating Costs, below.

*Line 18 – Contracted Personnel Total*

This line automatically sums the costs reported in Lines 16 through 17.

**TOTAL PERSONNEL COSTS**

*Line 19 – Total Personnel Costs*

This line automatically sums the costs reported in Lines 16 and 18.

**CLIENT COSTS**

*Line 20 – Technology Software, Licensing, and Equipment for Use by Clients*

The costs associated with technologies and software used by, given to, or sold to clients, including the cost of software, hardware, licenses, cell phones, tablets, computers, and related equipment.

*Line 21 – Client Transportation*

The costs associated with transporting clients, including internal and external drivers, contracted secure and unsecure transport, fleet and fleet management. All client transportation costs associated with related parties should be included here and on Schedule 1C, Less-Than-Arm's-Length (Related Party) Transactions; excess related party expense above cost will be automatically reclassified to Column 6, Unallowable, via Line 50, Excess Related Party Expense Above Actual Cost.

*Line 22 – Client Food and Drink*

The costs associated with food and drinks provided to clients, including gift cards given to clients for food and drink.

*Line 23 – Client Education Materials*

The costs associated with the development and production of educational or informational materials for clients, including materials provided via print or electronic format.

*Line 24 – Client Medications*

The costs of medication administered to clients. This includes the cost of the drugs only, and excludes the costs associated with administering the drug.

### *Line 25 – Other Client*

All other client-related costs, including (but not limited to):

- Salaries paid to clients
- External doctors, clinics, and hospitals
- Medical supplies
- Laboratory fees
- Medication
- Purchased services from other providers
- Recreational and craft supplies used by clients

### *Line 26 – Client Total*

This line automatically sums the costs reported in Lines 20 through 24.

## **INFORMATION TECHNOLOGY COSTS**

### *Line 27 – Electronic Health Records Maintenance, Support, Equipment*

The costs associated with the maintenance of the electronic health records (EHR) technology, as well as the related information technology support and non-capitalizable equipment, such as hardware, servers, scanners, signature pads, maintenance, and support fees, etc. This does not include the cost associated with computers used by staff to access the EHR.

### *Line 28 – Electronic Health Records Software Upgrades and Improvements*

The costs associated with the upgrade or improvement of electronic health records technology, such as implementation, new modules, developer fees, etc.

### *Line 29 – Telehealth Software and Equipment*

The costs associated with the software and equipment used to provide telehealth services to clients, such as televideo software and hardware specifically used for telehealth services. This includes costs associated with equipment and software that is exclusively used for telehealth services, but excludes costs associated with equipment and software that serves dual- or multiple-purposes, even if one purpose is for telehealth services.

### *Line 30 – Telecommunications (Phone, Internet, Pagers, Data, etc.)*

The costs associated with telecommunication functions, such as telephone (landline, cellular, and VOIP), internet or wifi, pagers, data, servers, networking hardware and software, service subscriptions, etc.

### *Line 31 – Other Information Technology*

All other costs related to information technology functions not included in previous lines, such as finance software, project management software, training software, general network

equipment and supplies. This includes costs associated with computers used by staff to access the EHR, as well as software and equipment with dual purposes.

*Line 32 – Information Technology Total*

This line automatically sums the costs reported in Lines 26 through 30.

**OCCUPANCY COSTS**

*Line 33 – Rent and Lease*

The costs associated with the rental or leasing of physical space, including buildings and offices. All rent and lease expense associated with related parties should be included here and on Schedule 1C, Less-Than-Arm’s-Length (Related Party) Transactions; excess related party expense above cost will be automatically reclassified to Column 6, Unallowable, via Line 50, Excess Related Party Expense Above Actual Cost.

*Line 34 – Depreciation and Amortization*

The costs associated with the depreciation or amortization of all depreciable assets owned by the company.

*Line 35 – Interest - Building*

The costs of interest associated with the purchase, construction, or improvement of buildings. Unallowable interest, if any, should be explicitly identified and reported as such in Column 6, Unallowable.

*Line 36 – Utilities*

The costs associated with utilities at all facilities, such as electric, gas, water, trash, etc.

*Line 37 – Facility and Grounds Maintenance*

The costs to maintain facilities and adjacent grounds, including janitorial costs and non-capitalized furniture and fixtures.

*Line 38 – Property Insurance*

The costs to insure owned and leased facilities, assets, and physical property.

*Line 39 – Other Occupancy*

All other costs associated with buildings and offices (owned, rented, leased, or donated), including real estate taxes.

*Line 40 – Occupancy Total*

This line automatically sums the costs reported in Lines 32 through 35.

**OPERATING COSTS**

#### *Line 41 – Meetings and Events*

The costs associated with the provision or attendance of meetings, seminars, conferences, or other events. Also, the costs associated with internal or external staff development programs, such as training classes, including the cost of meeting space and equipment rental. This does not include travel-related costs, such as meals, hotel, etc., which are included in Line 38, Business Travel, Entertainment, Meals.

#### *Line 42 – Business Travel, Entertainment, Meals*

The costs associated with business-related staff travel or entertainment expense, including meals, mileage allowances, hotel, and incidentals.

#### *Line 43 – Legal Fees*

The costs paid for legal services, including retainers, for matters related to the company. Unallowable costs, if any, should be explicitly identified and reported as such in Column 6, Unallowable.

#### *Line 44 – Lobbying, Professional Membership Dues*

The costs paid to professional or other organizations for membership fees or dues, and costs paid directly or indirectly for lobbying services. Unallowable costs, if any, should be explicitly identified and reported as such in Column 6, Unallowable.

#### *Line 45 – Marketing, Public Relations, and Other Communications*

The costs associated with marketing, public relations, or other communication functions, including any form of communication to inform or offer services to the public or specific groups, such as web site fees, marketing and communication software, promotional items, etc. Unallowable costs, if any, should be explicitly identified and reported as such in Column 6, Unallowable.

#### *Line 46 – Other Purchased Services and Professional Fees*

The costs associated with non-clinical professional practitioners and consultants who are not employees and are engaged for specified services on a fee or individual contract basis, such as auditors, linen service providers, etc.

#### *Line 47 – Other Insurance*

The costs associated with all insurance other than health insurance, workers compensation, and property insurance. This includes (but is not limited to) professional liability, general liability, umbrella, fiduciary, directors and officers, cybersecurity, and auto.

#### *Line 48 – Other Operating*

All other costs associated with operations, including (but not limited to):

- Bank and collection fees

- Licenses
- Equipment rentals and maintenance
- Interest (not related to building)
- Office supplies
- Postage, printing, copying
- Automobile expense for agency-owned or leased vehicles

*Line 49 – Operating Total*

This line automatically sums the costs reported in Lines 37 through 43.

**OTHER UNALLOWABLE EXPENSE**

*Line 50 – Interest*

All interest expense not associated with the purchase, construction, or improvement of a building. All costs should be reported in Column 6, Unallowable.

*Line 51 – Donated Supplies, Services, Space – Given to Others*

The value of donations given to other organizations, such as cash, services, supplies, space, etc. All costs should be reported in Column 6, Unallowable.

*Line 52 – In-Kind Services and Donations Received*

The value of donations received by the company, and of in-kind services provided or supplies received, such as volunteer services or donated medication. All costs should be reported in Column 6, Unallowable.

*Line 53 – Other Unallowable*

The costs explicitly identified as unallowable in Chapter 2 Standard 5, which have not been included in any previous line. All costs should be reported in Column 6, Unallowable. It is acceptable for unallowable costs to be reported in Column 6 of any previous line if those unallowable costs are comingled in accounts or cost centers which also contain allowable expense. This line is intended to capture unallowable costs that are distinctly identified within the general ledger accounts and are not comingled with allowable expense.

*Line 54 – Other Unallowable Total*

This line automatically sums the costs reported in Lines 45 through 48.

**EXCESS RELATED PARTY EXPENSE**

*Line 55 – Excess Related Party Expense Above Actual Cost*

This automatically pulls the total by column from the calculation on Schedule 1C, Less-Than-Arm’s-Length (Related Party) Transactions, and reclassifies amounts for Columns 2 through 5 into Column 6, Unallowable. No data input is necessary here.

*Line 56 – Total Excess Expense Above Actual Cost*

This automatically pulls the amount reported in the previous line.

**TOTAL DIRECT COSTS**

*Line 57 – Total Direct Costs*

This automatically calculates the total direct costs for each column, including all costs reported in previous lines.

**INDIRECT COST ALLOCATION**

*Line 58 – Indirect Cost Allocation*

The total amount of indirect cost reported in Column 2, Line 52, should be allocated to the functional cost centers and/or programs and unallowable cost center in order to obtain full functional program cost.

Column 2 in this line automatically calculates as a negative of the total indirect costs in the previous line. No data input is necessary here.

The allocation of indirect cost amongst the remaining columns must be made using a reasonable statistic and based on sound methodologies. Indirect costs must be allocated to all columns containing direct expense, including Column 6, Unallowable.

Multi-step allocations are acceptable, as long as the resulting allocation conforms to the requirement to allocate indirect cost to all columns. Modification of allocation bases in order to calculate the allocation statistics is not allowed (i.e. if direct cost is selected as the allocation basis, the direct cost amounts reported in each column cannot be increased or decreased in order to calculate the allocation percentage for that column).

This line will sum to \$0 to ensure the total amount of indirect costs are dispersed.

Documentation to substantiate the allocation methodology is required, and should be summarized via narrative(s) on Schedule 1B, Indirect Cost Allocation Methodology.

**TOTAL COST**

*Line 59 – Total Cost*

This line automatically calculates the total functional program cost in each column by adding Line 52, Total Direct Costs, and Line 53, Indirect Cost Allocation.

**CLIENT COUNTS**

*Line 60 – Unduplicated Client Count*

This line includes the total number of unique clients served by the programs reported in

Column 3, Encounter-Based Services with RVU Weights and All Integration Services.

*Line 61 – Cost per Unduplicated Client Count*

This is an automatic calculation equal to Total Cost reported in Column 3 Line 54 divided by Unduplicated Client Count reported in Column 3 Line 55.

**AUDITED FINANCIAL STATEMENT RECONCILIATION**

*Line 62 – Total Expense per Audited Financial Statements*

The total expense per the audited financial statements should be entered here.

*Line 63 – Variance*

Total Cost reported in Column 7 Line 54 should reconcile to the total expenses shown on the Statement of Operations in the organization’s audited financial statements, including all auditor adjustments.

**INDIRECT COST RATE**

*Line 64 – Indirect Cost Rate*

This automatically calculates total Indirect costs reported in Column 2 Line 52 divided by the sum of remaining direct costs reported on Line 52 in Columns 3 through 6.

**Schedule 1A: Non-Clinical Direct Salary Limit**

This schedule identifies the five largest non-clinical direct salaries paid during the cost reporting period. Direct salary includes wages and bonus amounts.

*Column 1 – Job Title*

This column identifies the job title of the employee.

*Column 2 – Schedule 1 Column*

This column identifies the column on Schedule 1 wherein the employee’s wages are reported.

*Column 3 – Salary and Bonus During Period*

This column identifies the salary and bonus for the employee during the cost reporting period.

*Column 4 – Unallowable Excess Salary Above Limit*

This column automatically calculates the amount of direct salary reported in Column 3 in excess of the limit established for the reporting period. The total excess is summed by Schedule 1 reporting location and automatically reclassified as unallowable expense on Schedule 1.

**Schedule 1B: Indirect Cost Allocation Methodology**

This schedule details the methods used to allocate indirect costs amongst all functional cost



centers on Schedule 1. The preparer should break down the allocation methodology into the individual steps performed, in order, and provide enough detail for readers to understand the types of indirect costs included in each step of the allocation, the basis used to distribute costs in each step of the allocation, and any exceptions or nuances applicable.

## **Schedule 1C: Less-Than-Arm’s-Length (Related Party) Transactions**

This schedule identifies all transactions with related party entities. For purposes of cost reporting, “related party” refers to an organization that possesses common ownership or control of the reporting entity.

### *Column 1 – Nature of Related Party Expense*

This column includes a general description of the type of expense included in the related party transaction.

### *Column 2 – CMHC: Related Party Expense Recorded*

This column identifies the amount of related party expense recorded within the financial statements of the CMHC.

### *Column 3 – Related Party: Actual Cost Incurred*

This column identifies the cost actually incurred by the related entity to provide the service or supply to the CMHC. If possible, this amount should be exact. However, if exact expense incurred cannot be determined, it is acceptable for an estimate to be used based on the profit margin established by the financial statements of the related entity. In this case, the profit margin should be applied to the expense recorded by the CMHC in order to estimate the actual cost incurred by the related entity.

### *Column 4 – Unallowable Excess CMHC Expense Above Related Party Actual Cost*

This column automatically calculates the difference between Column 2 and Column 3. No data input is necessary here.

### *Column 5 – Schedule 1 Column*

This column identifies the column on Schedule 1 wherein the related party transaction is reported.

### *Column 6 – Account Number(s) and/or Program(s)*

This column identifies the account numbers, programs, teams, departments, etc., wherein the related party transaction is recorded within the CMHC’s financial statements.

### *Column 7 – Related Vendor, Individual, or Organization*

This column identifies the name of the related party.

## Schedule 2: Service Groups

This schedule accumulates amounts from the subsequent series of schedules, in order to summarize costs by applicable service group. No data entry is required on this schedule.

### Columns

#### *Column 1 – Service*

This column identifies the name of the service group for which cost data is accumulated.

#### *Column 2 – Supplemental Schedule*

This column identifies the supplemental schedule from which cost data is pulled.

#### *Column 3 – Direct Encounterable Costs*

This column identifies the total amount of direct cost associated with encounters provided for the service group.

#### *Column 4 – Indirect Encounterable Costs*

This column identifies the total amount of indirect cost associated with encounters provided for the service group.

#### *Column 5 – Direct Non-Encounterable Costs*

This column identifies the remaining direct cost, not associated with encounters provided, for the service group.

#### *Column 6 – Indirect Non-Encounterable Costs*

This column identifies the remaining indirect cost, not associated with encounters provided, for the service group.

#### *Column 7 – Subtotal Cost*

This column sums the previous four columns, to calculate the total cost associated with the service group.

### Lines

#### *Line 1 – Emergency Services*

This line identifies the costs associated with emergency services provided.

#### *Line 2 – Consultative and Educational Services*

This line identifies the costs associated with consultative and educational services provided.

#### *Line 3 – Outpatient Services*

This line identifies the costs associated with outpatient services provided.

#### *Line 4 – Partial Hospitalization*

This line identifies the costs associated with partial hospitalization services provided.

#### *Line 5 – Subtotal*

This line sums the direct and indirect costs in order to calculate total encounterable costs and total non-encounterable costs for the first four service groups. These totals are reconciled to Schedule 1 Column 3 (for encounterable costs) and Schedule 1 Column 5 (for non-encounterable costs) to ensure all costs are included in the supplemental schedules.

#### *Line 6 – Inpatient and Residential Services*

This line identifies the costs associated with inpatient and residential services provided. The total is reconciled to Schedule 1 Column 4 to ensure all costs are included in the supplemental schedule.

### **Schedule 2A: Emergency Services**

This schedule identifies costs associated with emergency services provided. These services are those that are necessary to stabilize individuals experiencing a behavioral health emergency. These include but are not limited to:

- Co-Responder Program
- Phone, tele-video and face-to-face emergency response
- Rapid Community Response
- Suicide prevention services
- 24/7 crisis response
- 24/7 urgent care response

The costs are broken down by program (or team, grant, department, etc.) to provide additional granularity.

#### **Section I**

This yes/no question asks for confirmation on if emergency services were provided during the reporting period. If yes, Section II must be completed. If no, Section II will be left blank.

#### **Section II - Columns**

##### *Column 1 – Program/Grant/Team*

This column identifies the name of the program, or grant, or team, or department, etc. (generically referred to as “program” within this section) for which costs are reported in subsequent columns. If the name of the program does not describe the type of services provided, add brief description to detail such (e.g. Sunshine Program – Outpatient Therapy).

### *Column 2 – Encounterable Direct Cost*

This column identifies the amount of direct cost associated with encounters provided by the program. These are the costs that are reported in Column 3 on Schedule 1.

### *Column 3 – Encounterable Indirect Cost*

This column identifies the amount of indirect cost associated with encounters provided by the program. If the indirect costs cannot be specifically identified by program, this column should be left blank within the lines for each program, and the total indirect costs associated with all encounter-based services should instead be included in Line 60.

### *Column 4 – Total Cost*

This column automatically sums the direct and indirect costs reported in the previous two columns, in order to calculate the total costs associated with encounter-based services provided by the program.

### *Column 5 – Non-Encounterable Direct Cost*

This column identifies the remaining direct cost, not associated with encounters provided by the program. These are the costs that are reported in Column 5 on Schedule 1.

### *Column 6 – Non-Encounterable Indirect Cost*

This column identifies the remaining indirect cost, not associated with encounters provided by the program. If the indirect costs cannot be specifically identified by program, this column should be left blank within the lines for each program, and the total indirect costs associated with all non-encounter-based services should instead be included in Line 60.

### *Column 7 – Total Cost*

This column automatically sums the direct and indirect costs reported in the previous two columns, in order to calculate the total costs associated with non-encounter-based services provided by the program.

### *Column 8 – FTEs*

This column identifies the FTEs associated with the program.

### *Column 9 – Clients*

This column identifies the number of clients associated with the program.

## **Section II - Lines**

### *Lines 1-58*

These lines identify expense by individual program. Programs can be comingled if services provided are the same; for example, the expense for two residential homes can be comingled if the services provided at each home are consistent. When comingled, the names of each program

should be included in Column 1 for identification purposes.

#### *Line 59*

This line automatically calculates the total expense reported in each column.

#### *Line 60 – Indirect Cost Allocation*

This line identifies the amount of indirect cost associated with encounter-based services and non-encounter-based services (distinctly), if the indirect costs have not been specifically identified by program in the previous lines. However, if indirect costs are specifically identified in previous lines, this line should be left blank.

#### *Line 61 – Subtotal Expense*

This line automatically calculates the subtotal expense related to encounterable and non-encounterable services by summing Lines 59 and 60.

#### *Line 62 – Total Emergency Services*

This line automatically sums encounterable and non-encounterable expense in Line 61 to calculate the total emergency services expense.

## **Schedule 2B: Consultative and Educational Services**

This schedule identifies costs associated with consultative and educational services provided.

These services include all non-clinical services that enhance care coordination and the health and well-being of individuals. They include but are not limited to:

- Benefits coordination and acquisition
- Screening and assessment
- Referrals to other community-based services
- Education to build the capacity of other providers
- Consultation to physicians, emergency departments, and community centered boards
- Client transportation and medication delivery
- Community crisis debriefing services
- Daylight Partnership
- Law enforcement engagement and training
- Multidisciplinary case review for complex clients
- Navigation services
- Non-treatment school-based services including School-Based Mental Health Specialists
- Post-suicide education and consultation
- Prevention programs
- Senior reach programs

- Suicide prevention, awareness, training and response
- Wellness programs and health coaching

The costs are broken down by program (or team, grant, department, etc.) to provide additional granularity. This schedule should be completed in accordance with the instruction for Schedule 2A if consultative and educational services are provided and the answer to the question in Section 1 is “yes.”

## **Schedule 2C: Outpatient Services**

This schedule identifies costs associated with outpatient services provided. These types of services focus on maintaining and improving functional abilities for a patient at risk of, or with a history of, psychiatric hospitalization. They include but are not limited to:

- Individual, group or family therapy
- Psychiatric rehabilitation
- Supporting housing/employment
- Programming for special populations
- Division of Vocational Rehabilitation (DVR) and extended services (DVRE)
- Individualized Placement and Support (IPS)
- Offender Behavioral Health Services (BHAS)
- Outpatient children’s mental health programming
- Outpatient services for uninsured or underinsured populations
- Psychiatric medications, administration, and prescriber time

The costs are broken down by program (or team, grant, department, etc.) to provide additional granularity. This schedule should be completed in accordance with the instruction for Schedule 2A if outpatient services are provided and the answer to the question in Section 1 is “yes.”

## **Schedule 2D: Partial Hospitalization**

This schedule identifies costs associated with partial hospitalization services. These services refer to medically-supervised, less-than-24-hour care, provided in a structured daily program with a minimum amount of weekly clinical contact hours, and are intended to serve individuals with high behavioral health needs with intensive services that cannot be sufficiently addressed with standard levels of outpatient services. They include but are not limited to:

- Transitional care following an inpatient stay
- Coordination of outpatient certifications
- Step-down services

- Intensive treatment services
- Assertive Community Treatment (ACT) or ACT-light services
- Rehabilitation
- Housing services and supports
- Wrap around services
- Hospital alternative services
- Urgent psychiatric evaluation or stabilization
- Community Dual Disorders Treatment Teams (CDDT)
- Court ordered evaluations
- Day treatment
- Homeless prevention services
- Intensive Outpatient (IOP)
- Supportive treatment services
- Ascent (First Episode Psychosis [FEP])
- High fidelity wraparound service
- Systems of Care involved Youth
- Trauma Systems Therapy Services

The costs are broken down by program (or team, grant, department, etc.) to provide additional granularity. This schedule should be completed in accordance with the instruction for Schedule 2A if partial hospitalization services are provided and the answer to the question in Section 1 is “yes.”

### **Schedule 3: Inpatient and Residential Services**

This identifies costs associated with residential and inpatient facilities reported in Schedule 1 Column 4, All Inpatient Hospital Services and Residential Services without RVU Weights. These types of services are typically defined as treatment requiring an overnight stay at a facility, including:

- Acute Treatment Units (ATUs)
- Crisis Stabilization Units (CSUs)
- Residential facilities
- Residential Child Care Facilities
- Other forms of community settings

The costs are broken down by facility and type to provide additional granularity. The provider should list as many residential/inpatient facilities as it operates.

#### **Columns**

### *Column 1 – Name of Facility*

List the names of all the residential/inpatient facilities. List one facility per line and be as specific as possible.

### *Column 2 – Type of Facility*

Specify the type of facility (Residential, ATU, CSU, Inpatient and Detox).

### *Column 3 – License Type*

Indicate the license under which each facility is registered.

### *Column 4 – Bed Capacity*

List the total number of beds per fiscal year that the facility is licensed to operate.

### *Column 5 – Procedure Code (and ASAM if applicable)*

This column contains a drop down list of all the relevant residential and inpatient procedure codes and American Society of Addiction Medicine (ASAM) level. The applicable procedure code(s) should be selected for each facility.

### *Column 6 – Census Days*

List the total number of census days for each facility by distinct procedure code and ASAM level. Leave blank those procedure code and ASAM level combinations that are not applicable to a particular facility. Census days for each procedure code are automatically summed in order to calculate per diems in subsequent columns.

### *Column 7 – Utilization Rate*

This column automatically calculates the utilization rate by dividing the census days by the bed capacity for each facility. No data entry is required in this column.

### *Column 8 – Total Expenses*

The total expenses per residential/inpatient facility should be entered in this column. The total expenses in this column should agree to the total of Schedule 1, Columns 4. Guidance in Chapter 4 Schedule 1 for Columns 4 should also be followed for this column.

### *Column 9 – Cost per Day - Total*

The total expenses from Column 8 divided by Column 6 Total Census Days.

### *Column 10 – Room and Board*

Room and board expenses per residential facility (inpatient facilities are excluded) should be entered in this column. The term “room” means shelter type expenses, including all property-related costs such as rental or purchase of real estate and furnishings, maintenance, utilities, and related administrative services. The term “board” means three meals a day or any other full nutritional regimen.



*Column 11 – Cost Per Day – Room & Board*

The total expenses from Column 10 divided by Column 6 Census Days.

*Column 12 – Total Expenses less Room and Board*

The total expenses from Column 8 less the total expenses from Column 10.

*Column 13 – Cost Per Day – Services*

The total expenses from Column 12 divided by Column 6 Census Days.

**Lines**

*Lines 1 through 30 – All Residential and Inpatient Facilities*

These lines identify expense by individual facility for all residential and inpatient facilities.

*Sub-lines a through c*

These lines identify the procedure codes and ASAM levels applicable to the residential and inpatient services provided at each facility. Census days for each procedure code and ASAM combination should be uniquely identified in the appropriate line.

*Line 31 – Total All Facilities*

This line automatically sums the amounts for all facilities.

*Line 32*

This line automatically pulls the direct inpatient and residential services expense reported in Schedule 1 Column 4.

*Line 33*

This line automatically pulls the indirect costs allocated to inpatient and residential services on Schedule 1 Column 4.

*Line 34*

This line automatically sums Lines 32 and 33.

*Line 35*

This line automatically calculates the variance between Line 34 and Line 31. The variance should be \$0 to ensure all residential and inpatient hospital expenses have been included on this schedule.

*Lines 36 through 45*

These lines automatically calculate the total census days by procedure code, and then compare to the units reported on Schedule 4. The variances should be 0 to ensure all census days have been included on this schedule.

## Schedule 4: Base Unit Cost Calculation

This schedule calculates the provider-specific base unit cost.

**Total Cost:** At the top of Schedule 4, the total cost is pulled in from Schedule 1 Column 3.

**Non-RVU Integration Services Revenue:** Payments from all payer sources for primary care services provided by integrated clinics owned by the provider, the cost of which are included on Schedule 1, Column 3b, are to be reported as a third party liability offset on this schedule.

The Base Unit Cost is automatically calculated by dividing the total allowable cost for encounter-based services by the total RVUs.

Schedule 4 collects utilization data for encounter-based services with RVU weights and the costs of encounter-based donated services with RVU weights. All services provided outside of the facilities owned or leased by the provider should be considered ‘non-facility’ place of service and use non-facility RVU weights. All services provided in facilities owned or leased by the provider should be considered ‘facility’ place of service and use facility RVU weights.

In order to complete this schedule, the provider must track each encounter or unit of service by the following data elements:

1. Direct Care Provider Information (Employee I.D., Education level, etc.)
2. Client Information
3. Service Information
  - a. Primary Diagnosis code
  - b. Service/revenue code
  - c. Place of service (POS) code
  - d. Date of Service
  - e. Number of Units

From the service encounter data, providers must track service delivery by utilization over the course of the entire fiscal year for input into this schedule. The following instructions describe how utilization data is organized.

### *Column 1 – Non-Facility Units*

Providers should report all *encounterable units of service, with or without an RVU weight*, provided in a Non-Facility setting by the CPT/HCPCS codes listed. Service definitions for the CPT/HCPCS codes are in the column labeled “Description.” Units reported must be of the same nature and time period as defined in this column. The Total line automatically calculates the total units; the provider should not enter any data in this line.

#### *Column 2 – Non-Facility RVU Weight*

This column contains the non-facility weights applicable to each CPT/HCPCS code listed. No data input is required here.

#### *Column 3 – Non-Facility RVUs*

This column automatically calculates the non-facility RVUs by multiplying the units in Column 1 by the weight in Column 2. No data input is required here.

#### *Column 4 – Cost per Non-Facility Unit of Service*

This column automatically calculates the cost of providing a unit of service in a Non-Facility setting for each of the CPT/HCPCS procedures by multiplying the base unit cost by the Non-Facility RVU weight.

#### *Column 5 – Facility Units*

Providers should report all *encounterable units of service, with or without an RVU weight*, provided in a Facility setting by the CPT/HCPCS codes listed.

#### *Column 6 – Facility RVU Weight*

This column contains the facility weights applicable to each CPT/HCPCS code listed. No data input is required here.

#### *Column 7 – Facility RVUs*

This column automatically calculates the facility RVUs by multiplying the units in Column 5 by the weight in Column 6. No data input is required here.

#### *Column 8 – Cost per Facility Unit of Service*

This column automatically calculates the cost of providing a unit of service in a Facility setting for each of the CPT/HCPCS procedures by multiplying the base unit cost by the Facility RVU weight.

#### *DESCRIPTION OF SIGNIFICANT CHANGES IN BASE UNIT COST YEAR OVER YEAR*

If the Base Unit Cost from Schedule 4 increased or decreased by 5% or more over the previous fiscal year, an explanation of the reasons for the change are required in a separate document.

This may include the reasons for changes in Administrative and/or Direct Costs from Schedule 1 as well as changes in units of service.

# Exhibit A: CMHC and Clinic Example Financial Statements

The following is a model financial statement following the AICPA Audit and Accounting Guide, Health Care Entities; however, the appropriate audit guide should be followed.

Additional examples can be found at the Electronic Municipal Market Access (EMMA) – Municipal Securities Rulemaking Board (MSRB) website at <http://emma.msrb.org/> or at the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) at <https://www.sec.gov/edgar.shtml>. Links are provided in order to ensure providers have access to the most up-to-date sources. These sites, in addition to the examples below, are meant to serve as an example, and providers are not required to match these examples.

**CMHC/Clinic**  
**BALANCE SHEETS**  
**JUNE 30, XXXX and XXXX**

<u>ASSETS</u>	<u>XXXX</u>	<u>XXXX</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ _____	\$ _____
Short-term investments		
Client accounts receivable, less allowance for uncollectible accounts; XXXX \$ _____, XXXX \$ _____		
Medicaid receivable, less allowance for disallowed claims; XXXX \$ _____, XXXX \$ _____		
Medicare receivable, less allowance for disallowed claims; XXXX \$ _____, XXXX \$ _____		
Receivable from intermediary entity		
Estimated retroactive adjustment - third party payers		
Other receivables		
Supplies		
Prepaid expenses and other	_____	_____
Total Current Assets	_____	_____
<b>INVESTMENTS</b>		
Investments in and advances to equity investee		
Long-term investment	_____	_____
<b>PROPERTY AND EQUIPMENT, At Cost</b>		
Land and land improvements		
Buildings and leasehold improvements		
Equipment	_____	_____
Less accumulated depreciation	_____	_____
<b>OTHER ASSETS</b>	_____	_____
	\$ _____	\$ _____

**CMHC/Clinic**  
**BALANCE SHEETS**  
**JUNE 30, XXXX and XXXX**

<b>LIABILITIES AND NET ASSETS</b>	<u>XXXX</u>	<u>XXXX</u>
<b>CURRENT LIABILITIES</b>		
Notes payable	\$	\$
Current maturities of long-term debt		
Incurred but not reported		
Accrued expenses		
Estimated retroactive adjustments - third party payers		
Deferred revenue		
Other	_____	_____
Total Current Liabilities	_____	_____
<b>LONG-TERM DEBT</b>		
Total Liabilities	_____	_____
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
With donor restrictions	_____	_____
	\$ _____	\$ _____

CMHC/Clinic

STATEMENTS OF OPERATIONS  
YEARS ENDED JUNE 30, XXXX AND XXXX

	<u>XXXX</u>	<u>XXXX</u>
<b>REVENUES AND GAINS</b>		
Net client, Medicaid, Medicaid capitation, Medicare, insurance, third party and other service revenue	\$	\$
State revenue		
Public support		
Other	_____	_____
	_____	_____
<b>EXPENSES</b>		
Personnel		
Client related		
Occupancy		
Operating		
Depreciation and Amortization		
Professional fees		
Donated items	_____	_____
	_____	_____
<b>OPERATING INCOME</b>		
<b>OTHER INCOME</b>		
Investment income		
Income from investment in equity investee	_____	_____
	_____	_____
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$</u>	<u>\$</u>

CMHC/Clinic

STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, XXXX AND XXXX

	<u>XXXX</u>	<u>XXXX</u>
<b>UNRESTRICTED NET ASSETS</b>		
Excess of revenues over expenses	\$	\$
Net assets released from restrictions used for purchase of property and equipment	_____	_____
Increase (decrease) in unrestricted net assets	_____	_____
<b>RESTRICTED NET ASSETS</b>		
Net realized gains (losses) in restricted investments		
Net assets released from restrictions	_____	_____
Increase (decrease) in restricted net assets	_____	_____
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>NET ASSETS, BEGINNING OF YEAR</b>	_____	_____
<b>NET ASSETS, END OF YEAR</b>	<u>\$</u> _____	<u>\$</u> _____



**CMHC/Clinic**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, XXXX AND XXXX**

	<u>XXXX</u>	<u>XXXX</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$	\$
Items not requiring (providing) cash:		
Depreciation and amortization		
Loss on investment in equity investee		
Net realized gain on investments		
Changes in:		
Client accounts receivable, net		
Medicare and Medicaid receivable		
Accounts payable and accrued expenses		
Other current assets and liabilities	_____	_____
Net cash provided by (used in) operating activities	_____	_____
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases (sales) of investments		
Advance to and investment in equity investee		
Purchase of property and equipment	_____	_____
Net cash provided by (used in) investing activities	_____	_____
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt		
Proceeds from issuance of long-term debt	_____	_____
Net cash provided by (used in) financing activities	_____	_____
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	_____	_____
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ _____	\$ _____
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$	\$

## **Financial Statement Notes:**

The notes to Financial Statements should follow current AICPA Audit and Accounting Guide, Health Care Entities. In addition to those footnote disclosures that fulfill the accounting profession's reporting standards of adequate disclosure, the Office of Behavioral Health requires the following:

1. A statement of how donated materials and services are recorded and valued by category, disclose donor, if material, such as county building.
2. Disclosure of CMHC ownership or affiliation with other corporations, foundations, etc., including an explanation of the type of relationship. Disclosure of financial data may be required – see the AICPA Audit and Accounting Guide, Health Care Entities.
3. Any material restricted funds should be identified with donor or grantor restrictions.
4. Any disclosure issued related to compliance with the Office of Behavioral Health contract requirements. This would include amounts required for insurance reserves and “reinvestment plans” for deferred revenues.
5. Charity care.

**Financial Statement Supplemental Schedule:  
CMHC/Clinic**

**SUPPLEMENTARY SCHEDULE OF REVENUES  
YEAR ENDED JUNE 30, XXXX**

**REVENUES**

Client service:

- Medicaid capitation
- Medicaid Hospital Alternatives
- Medicaid fee for service
- OBRA
- Other Medicaid
- Medicare partial hospitalization
- Medicare other services
- Client fees
- Private/third-party
- Other contracts
- Net client service revenue

Government:

- Federal contracts
- Colorado Department of Human Services:
  - Office of Behavioral Health
  - Division of Youth Services
- Total Colorado Dept. of Human Services
- Local government
  - County Municipal
  - School district
- Total Local Government
- Total Government

Public Support:

- Donated services
- Donated hospital
- Donated Medications
- Donated building space
- Total Public Support

Other income

- Interest
- Management fees
- Other
- Total other income

Total revenues

# Exhibit B: Not-For-Profit Example Financial Statements

A provider may also register as a not-for-profit entity. This provider will not operate under a traditional medical model of reporting costs. A not-for-profit organization does not declare its surplus revenues as profits or dividends.

Additional example statements and information can be found at the Accounting Standards Codification (ASC) website here <https://asc.fasb.org/home>. A link is provided in order to ensure providers have access to the most up-to-date sources. Examples on this site in addition to the examples below are meant to serve as an example, and providers are not required to match these examples.

**Not-for-Profit Entity – Statements of Financial Position**

<b><u>Assets:</u></b>	<b><u>Year I</u></b>	<b><u>Year II</u></b>
Cash and cash equivalents	\$ _____	\$ _____
Account and interest receivable	\$ _____	\$ _____
Inventories and prepaid expenses	\$ _____	\$ _____
Contributions receivable	\$ _____	\$ _____
Short-term investments	\$ _____	\$ _____
Assets restricted to investment in land, buildings and equipment	\$ _____	\$ _____
Land, building, and equipment	\$ _____	\$ _____
Long-term investments	\$ _____	\$ _____
	<b>\$ _____</b>	<b>\$ _____</b>
 <b><u>Liabilities and Net Assets:</u></b>		
Accounts payable	\$ _____	\$ _____
Refundable advance	\$ _____	\$ _____
Grants payable	\$ _____	\$ _____
Notes Payable	\$ _____	\$ _____
Annuity obligations	\$ _____	\$ _____
Long-term debt	\$ _____	\$ _____
	<b>\$ _____</b>	<b>\$ _____</b>
 <b><u>Net Assets:</u></b>		
Without donor restrictions	\$ _____	\$ _____
With donor restrictions (Note B)	\$ _____	\$ _____
	<b>\$ _____</b>	<b>\$ _____</b>
 <b><u>Total Liabilities and Net Assets:</u></b>	<b>\$ _____</b>	<b>\$ _____</b>

## Not-for-Profit – Statement of Activities - Format A

In Format A, information is presented in a single column which most easily accommodates presentation of multiyear information.

### Changes in Net Assets Without Donor Restrictions:

Revenues and gains:	\$ _____
Contributions	\$ _____
Fees	\$ _____
Income on long-term investments (Note E)	\$ _____
Other investment income (Note E)	\$ _____
Net unrealized and realized gains on long-term investments (Note E)	\$ _____
Other	\$ _____
<i><b>Total revenues and gains without donor restrictions</b></i>	<i><b>\$ _____</b></i>
Net assets released from restrictions (Note D):	\$ _____
Satisfaction of program restrictions	\$ _____
Satisfactions of equipment acquisition restrictions	\$ _____
Expiration of time restrictions	\$ _____
Total net assets released from restrictions	\$ _____
Total unrestricted revenues, gains, and other support	\$ _____
Expenses and losses:	\$ _____
Program A	\$ _____
Program B	\$ _____
Program C	\$ _____
Management and general	\$ _____
Fund raising	\$ _____
Total expenses (Note F)	\$ _____
Fire loss	\$ _____
Total expenses and losses	\$ _____
<i><b>Increase in unrestricted net assets</b></i>	<i><b>\$ _____</b></i>

### Changes in Restricted Net Assets:

Contributions	\$ _____
Income on long-term investments (Note E)	\$ _____
Net unrealized and realized gains on long-term investments (Note E)	\$ _____
Actuarial loss on annuity obligations	\$ _____
Net assets released from restrictions (Note D)	\$ _____
<i><b>Decrease in restricted net assets</b></i>	<i><b>\$ _____</b></i>

### Increase in Net Assets

\$ \_\_\_\_\_

Net Assets at the beginning of year

\$ \_\_\_\_\_

## Not-for-Profit Entity - Statements of Activities – Format B

Format B reports the same information in a columnar format with a column for each class of net assets and adds an optional total column. That format makes evident that the effects of donor restrictions result in reclassifications between classes of net assets. It also accommodates presentation of aggregated information about contributions and investment income for the entity as a whole.

<b><u>Revenues, Gains, and Other Support:</u></b>	<b><u>Unrestricted</u></b>	<b><u>Restricted</u></b>	<b><u>Total</u></b>
Contributions	\$ _____	\$ _____	\$ _____
Fees	\$ _____	\$ _____	\$ _____
Income on long-term investments (Note E)	\$ _____	\$ _____	\$ _____
Other investment income (Note E)	\$ _____	\$ _____	\$ _____
Net unrealized and realized gains on long-term investments (Note E)	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____
Net assets released from restrictions (Note D):	\$ _____	\$ _____	\$ _____
Satisfaction of program restrictions	\$ _____	\$ _____	\$ _____
Satisfaction of equipment acquisition	\$ _____	\$ _____	\$ _____
Expiration of time restrictions	\$ _____	\$ _____	\$ _____
<b><i>Total Revenues, Gains, and Other Support</i></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b><u>Expenses and Losses:</u></b>	\$ _____	\$ _____	\$ _____
Program A	\$ _____	\$ _____	\$ _____
Program B	\$ _____	\$ _____	\$ _____
Program C	\$ _____	\$ _____	\$ _____
Management and general	\$ _____	\$ _____	\$ _____
Fund raising	\$ _____	\$ _____	\$ _____
<b><i>Total Expenses (Note F)</i></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
Fire loss	\$ _____	\$ _____	\$ _____
Actuarial loss on annuity obligations	\$ _____	\$ _____	\$ _____
<b><i>Total expenses and losses</i></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
Change in net assets	\$ _____	\$ _____	\$ _____
<b>New assets at beginning of year</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>



**Not-for-Profit Entity - Statement of Activities – Format C (1/2)**

Format C reports information in two statements with summary amounts from a statement of revenues, expenses, and other changes in unrestricted net assets (part 1 of 2) articulating with a statement of changes in net assets (part 2 of 2). Alternative formats for the statement of changes in net assets—a single column and a multicolumn— are illustrated. The two statement approaches of Format C focus attention on changes in unrestricted net assets. That format may be preferred by not-for-profit’s that view their operating activities as excluding receipts of donor-restricted revenues and gains from contributions and investment income.

**Unrestricted Revenues and Gains:**

Contributions	\$ _____
Fees	\$ _____
Income on long-term investments (Note E)	\$ _____
Other investment income (Note E)	\$ _____
Net unrealized and realized gains on long-term investments (Note E)	\$ _____
Other	\$ _____
<i><b>Total Unrestricted Revenues and Gains:</b></i>	<b>\$ _____</b>

**Net Assets Released from Restrictions (Note D):**

Satisfaction of program restrictions	\$ _____
Satisfaction of equipment acquisition restrictions	\$ _____
Expiration of time restrictions	\$ _____
<i><b>Total Net Assets Released from Restrictions</b></i>	<b>\$ _____</b>
<i><b>Total Unrestricted Revenues, Gains, and Other Support:</b></i>	<b>\$ _____</b>

**Expenses and Losses:**

Program A	\$ _____
Program B	\$ _____
Program C	\$ _____
Management and general	\$ _____
Fund raising	\$ _____
<i><b>Total Expenses (Note F)</b></i>	<b>\$ _____</b>
Fire Loss	\$ _____
<i><b>Total unrestricted expenses and losses</b></i>	<b>\$ _____</b>
<b>Increase in Unrestricted Net Assets:</b>	<b>\$ _____</b>

**Not-for-Profit Entity - Statement of Activities – Format C (2/2)**

**Unrestricted Net Assets:**

Total unrestricted revenues and gains	\$
Net assets released from restrictions (Note D)	\$
Total unrestricted expenses and losses	\$
<i>Increase in unrestricted net assets</i>	\$

**Restricted Net Assets:**

Contributions	
Income on long-term investments (Note E)	\$
Net unrealized and realized gains on long-term investments (Note E)	\$
Actuarial loss on annuity obligations	\$
Net assets released from restrictions (Note D)	\$
<i>Decrease in restricted net assets</i>	\$

<b>Increase in Net Assets:</b>	\$
<b>Net Assets at the Beginning of Year:</b>	\$
<b>Net Assets at the End of Year:</b>	\$

**Not-for-Profit Entity - Statement of Activities – Format C (2/2) Alternate**

<b><u>Revenues, Gains, and Other Support:</u></b>	<b><u>Unrestricted</u></b>	<b><u>Restricted</u></b>	<b><u>Total</u></b>
Unrestricted revenues, gains, and other supports	\$ _____	\$ _____	\$ _____
Restricted revenues, gains, and other support:	\$ _____	\$ _____	\$ _____
Contributions	\$ _____	\$ _____	\$ _____
Income on long-term investments (Note E)	\$ _____	\$ _____	\$ _____
Net unrealized and realized gains on long-term investments (Note E)	\$ _____	\$ _____	\$ _____
Net Assets released from restrictions (Note D)	\$ _____	\$ _____	\$ _____
<b><i>Total Revenues, gains, and other support</i></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b><u>Expenses and Losses:</u></b>			
Unrestricted expenses and losses	\$ _____	\$ _____	\$ _____
Actuarial loss on annuity obligations	\$ _____	\$ _____	\$ _____
Total expenses and losses	\$ _____	\$ _____	\$ _____
<b><i>Change in net assets</i></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b><i>Net Assets at Beginning of Year</i></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b><u>Net Assets and End of Year:</u></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

# Exhibit C: Managed Service Organization Example Financial Statements

**MANAGED SERVICE ORGANIZATION**

**BALANCE SHEETS  
JUNE 30, XXX2 AND XXX1**

<u>ASSETS</u>	<u>XXX2</u>	<u>XXX1</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ _____	\$ _____
Short-term investments		
Client accounts receivable, less allowance for uncollectible		
Other receivables		
Supplies		
Prepaid expenses and other	_____	_____
Total Current Assets	_____	_____
<b>INVESTMENTS</b>		
Investments in and advances to equity investee		
Long-term investment	_____	_____
<b>PROPERTY AND EQUIPMENT, At Cost</b>		
Land and land improvements		
Buildings and leasehold improvements		
Equipment	_____	_____
Less accumulated depreciation	_____	_____
<b>OTHER ASSETS</b>		
	_____	_____
	_____	_____
	<u>\$ _____</u>	<u>\$ _____</u>

**MANAGED SERVICE ORGANIZATION  
BALANCE SHEETS  
JUNE 30, XXX2 AND XXX1**

<u>LIABILITIES AND NET ASSETS</u>	<u>XXX2</u>	<u>XXX1</u>
<b>CURRENT LIABILITIES</b>		
Notes payable	\$	\$
Current maturities of long-term debt		
Incurred but not reported		
Accrued expenses		
Estimated retroactive adjustments - third party payers		
Deferred revenue		
Other	_____	_____
Total Current Liabilities	_____	_____
<b>LONG-TERM DEBT</b>		
Total Liabilities	_____	_____
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
With donor restrictions		
	_____	_____
	\$ _____	\$ _____

**MANAGED SERVICE ORGANIZATION**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED JUNE 30, XXX2 AND XXX1**

	<u>XXX2</u>	<u>XXX1</u>
<b>REVENUES AND GAINS</b>		
State of Colorado, OBH	\$	\$
Federal revenues		
Other State of Colorado Revenues		
Medicaid		
Insurance, third party and other service revenue		
Client fees		
Public support		
Other	_____	_____
	_____	_____
<b>EXPENSES</b>		
Operating expenses:		
External Providers: (list all over \$50,000)		
Agency A		
Agency B		
Detoxification		
Residential Services		
Outpatient Services		
Additional Family Services		
Administrative Expenses:		
Salaries, wages and benefits		
Depreciation		
Other Costs (detail to extent necessary to be meaningful to users)		
Donated items		
	_____	_____
	_____	_____
<b>OPERATING INCOME</b>		
<b>OTHER INCOME</b>		
Investment income		
Income from investment in equity investee		
	_____	_____
	_____	_____
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>\$</b> _____	<b>\$</b> _____

**MANAGED SERVICE ORGANIZATION**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, XXX2 AND XXX1**

	<u>XXX2</u>	<u>XXX1</u>
<b>UNRESTRICTED NET ASSETS</b>		
Excess of revenues over expenses	\$	\$
Net assets released from restrictions	_____	_____
Increase (decrease) in unrestricted net assets	_____	_____
<b>RESTRICTED NET ASSETS</b>		
Net realized gains (losses) in restricted investments		
Net assets released from restrictions	_____	_____
Increase (decrease) in restricted net assets	_____	_____
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>NET ASSETS, BEGINNING OF YEAR</b>	_____	_____
<b>NET ASSETS, END OF YEAR</b>	<u>\$</u> _____	<u>\$</u> _____

**MANAGED SERVICE ORGANIZATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, XXX2 AND XXX1**

	<u>XXX2</u>	<u>XXX1</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$	\$
Items not requiring (providing) cash:		
Depreciation and amortization		
Loss on investment in equity investee		
Net realized gain on investments		
Changes in:		
Client accounts receivable, net		
Medicare and Medicaid receivable		
Accounts payable and accrued expenses		
Other current assets and liabilities	_____	_____
Net cash provided by (used in) operating activities	_____	_____
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases (sales) of investments		
Advance to and investment in equity investee		
Purchase of property and equipment	_____	_____
Net cash provided by (used in) investing activities	_____	_____
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt		
Proceeds from issuance of long-term debt	_____	_____
Net cash provided by (used in) financing activities	_____	_____
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	_____	_____
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ _____	\$ _____
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$	\$



## MANAGED SERVICE ORGANIZATION

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, XXXX AND XXXX

The notes to Financial Statements should follow current AICPA Audit and Accounting Guide, Health Care Entities. In addition to those footnote disclosures that fulfill the accounting profession's reporting standards of adequate disclosure, the Office of Behavioral Health requires the following:

1. A statement of how donated materials and services are recorded and valued by category, disclose donor, if material, such as county building.
2. Disclosure of MSO ownership/affiliation with other corporations, foundations, etc., including an explanation of the type of relationship. Disclosure of financial data may be required -- see AICPA Audit and Accounting Guide, Health Care Entities.
3. Any material restricted funds should be identified with donor or grantor restrictions.
4. Any disclosure issued related to compliance with the OBH contract requirements. This would include amounts required for insurance reserves and "reinvestment plans" for deferred revenues from capitated care contracts.

**MANAGED SERVICE ORGANIZATION**

**SUPPLEMENTARY SCHEDULE OF ALCOHOL AND DRUG ABUSE EXPENSES  
YEAR ENDED JUNE 30, XXXX**

	Outpatient & Residential	Addl Family	General & Admin	
<u>Personnel:</u>				
Salaries	\$	\$	\$	\$
Employee benefits				
Contractual				
<u>Client:</u>				
Purchased Services (External Network)				
Emergency Room Costs				
Food				
Medical & laboratory				
Medications Purchases from other providers				
Client expenses/supplies/travel				
<u>Occupancy:</u>				
Maintenance & supplies				
Insurance, property Rent & real estate taxes Utilities				
<u>Operating:</u>				
Amortization & Depreciation				
Bad debt expense				
Dues, fees, licenses & subscriptions Equipment rental, lease & maintenance Insurance				
Interest				
Office supplies				
Postage/printing/photocopying Telephone & pagers Travel/conference/staff development				
Vehicle operation and maintenance				
<u>Other expenses</u>				
<u>Professional fees:</u>				
Audit and accounting				
Legal				
Other consultants				
<u>Donated items:</u>				
Materials				
Building space				
Volunteer services				
Hospital care				
	_____	_____	_____	_____
Total Expenses	\$ =====	\$ =====	\$ =====	\$ =====

# Exhibit D: Sub-Recipient of MSO Supplemental Schedules

SUB-RECIPIENT OF MSO  
SUPPLEMENTARY SCHEDULE OF REVENUES  
YEAR ENDED JUNE 30, XXXX

	<u>SA Services</u>	<u>Other Services</u>	<u>Total</u>
<b>REVENUES</b>			
Client service:			
MSO revenue			
Medicaid	_____	_____	_____
Medicare	_____	_____	_____
Client fees			
Private/third-party			
Other contracts			
Net client service revenue			
Government:			
Federal contracts			
Local government			
County	_____	_____	_____
Alcohol and Drug Contracts	_____	_____	_____
General funds	_____	_____	_____
Municipal			
School districts			
Total Local Government			
Total Government			
Public Support: Donated			
services Donated			
hospital Donated			
building space			
Total Public Support	_____	_____	_____
Other income	_____	_____	_____
Interest			
Other			
Total other income	_____	_____	_____
	_____	_____	_____
Total revenues	\$ _____	\$ _____	\$ _____

SUB-RECIPIENT OF MSO  
 SUPPLEMENTARY SCHEDULE OF EXPENSES  
 YEAR ENDED JUNE 30, XXXX

	Program	Program	Program	General and Admin	Total
<u>Personnel:</u>					
Salaries					
Employee benefits					
Contractual					
<u>Client:</u>					
Purchased Services (External Network)					
Emergency Room Costs					
Food					
Medical & laboratory					
Medications					
Purchases from other providers					
Client expenses/supplies/travel					
<u>Occupancy:</u>					
Maintenance & supplies					
Insurance, property					
Rent & real estate taxes					
Utilities					
<u>Operating:</u>					
Amortization & Depreciation					
Bad debt expense					
Dues, fees, licenses & subscriptions					
Equipment rental, lease & maintenance					
Insurance					
Interest					
Office supplies					
Postage/printing/photocopying					
Telephone & pagers					
Travel/conference/staff development					
Vehicle operation and maintenance					
<u>Other expenses</u>					
<u>Professional fees:</u>					
Audit and accounting					
Legal					
Other consultants					
<u>Donated items:</u>					
Materials					
Building space					
Volunteer services					
Hospital care					
Total Expenses					
Allocation of General and Admin				(      )	-
Program Costs					

# Exhibit E: Colorado Unit Cost Report Template

<https://www.colorado.gov/pacific/hcpf/mental-health-rate-reform-0>

# Exhibit F: Items to be Submitted with Colorado Unit Cost Report by November 30

1. Annual audited financial statements for the cost report period
2. Colorado Unit Cost Report
3. Cost Report Review Questionnaire
4. Working trial balance detailing account balances by program (team) for the cost report period.
5. Crosswalk or grouping schedule identifying where each account and program (team) on the working trial balance is reported on the cost report (e.g. cost report preparation tool).
6. Allocation schedules to illustrate and substantiate the distribution of expenses between multiple functional cost centers on the cost report (if any) and a written narrative to describe the statistics/methodologies used for each allocation.
7. If indirect costs reported on Schedule 1, Column 2 are not allocated to the various other functional cost centers based on cost, submit an allocation schedule to illustrate and substantiate the methodology used to distribute indirect costs to the various other functional cost centers and a written narrative to describe the statistics/methodology used.
8. Allocation schedules to illustrate and substantiate the distribution of expenses between multiple general ledger accounts on the working trial balance (if any) and a written narrative to describe the statistics/methodologies used for each allocation.
9. Summary of units by procedure code to substantiate amounts reported on Schedule 4 of the cost report.
10. Summary of census days by program to substantiate amounts reported on Schedule 3 of the cost report, if any.
11. Documentation to support revenue received for providing primary care services in an integrated setting, to substantiate amounts reported on Schedule 4, if any.



# Exhibit G: Glossary of Managed Care Terms

This glossary is intended to help independent auditors to better understand the issues involved in the Medicaid Capitation Program. It is not intended to be a complete list of managed care terms.

**Access** - The availability and appropriateness of a consumer's entry into a relationship with a health care provider and/or system.

**Accountable Care Collaborative** – A program designed to affordably optimize Member health, functioning, and self-sufficiency. The primary goals of the Program are to improve Member health and life outcomes and to use state resources wisely. Regional Accountable Entities (RAEs) and Primary Care Medical Providers (PCMPs) that serve as medical homes work together in collaboration with other health providers and Members to optimize the delivery of outcomes-based, cost-effective health care services.

**Actuarial** - Having to do with probabilities. Actuarial studies performed for managed care plans normally consist of projections of utilization and costs of specific benefits for a defined population.

**Actuary** - An accredited, professionally trained person in insurance mathematics who calculates rates, reserves, dividends, and other valuations and also makes statistical studies and reports.

**Acute Care** - Health care provided to treat conditions that are short term or episodic in nature.

**Ambulatory Care** - Health services rendered in a hospital outpatient facility, a clinic, or a physician's office; often synonymous with the term "outpatient care." The term usually implies that an overnight stay in a health care facility is not necessary.

**Capitation** - A method of payment for health care services in which a physician, hospital, or provider group is paid a fixed amount (typically monthly) for each person in a plan regardless of the actual number or nature of services provided. This is the type of payment structure commonly associated with health maintenance organizations (HMOs).

**Case Management** - The monitoring, planning, and coordination of treatment provided to patients with conditions requiring high cost or extensive services. Case management is intended to ensure an appropriate and cost-effective course of treatment in an appropriate setting. An itemized statement of services provided by a health care provider for a given patient, usually for one episode of care or set of services with a related charge for services provided. It is submitted to a health benefit plan for payment.



**Center for Medicare and Medicaid Services (CMS)** – The US Government agency responsible for administering Medicare and Medicaid (formerly Healthcare Financing Authority).

**Clinical Database** - The collection of clinical information from all episodes of patient care.

**Continuum of Care** - This term refers to the ability to provide health care along the entire spectrum of patient needs, from prevention and wellness at one end of the spectrum through primary, acute and long-term care at the other end of the spectrum.

**Cost** - What it takes to deliver service. Cost is determined by facilities' design, systems efficiency, information, supplies, human resources and the cost disposition among all individuals.

**Culture** - The basic pattern of assumptions, beliefs, attitudes and behaviors shared by member of an organization. The culture of an organization shapes the working style, activities and goals of its members and can evolve over time in both planned and unplanned ways.

**Decentralized** - The reallocation of resources and functions out of a centralized department to a location or locations closer to customers and patients.

**Drivers of Cost** - Drivers are the elements of operational and organizational design, which determine the level of cost at which care is delivered. For example, the number of layers in an organization influences the administrative costs of the organization. The way a process is designed influences both the cost of completing the process as well as the quality of the process' output.

**Gatekeeper** - A term used to describe the role of the primary care physician (PCP) in a managed care environment. The primary care physician is primarily responsible for all medical treatment rendered, making referrals as necessary and monitoring the patient through the course of treatment. Alternatively, the term describes third party monitoring of care to avoid excessive costs by allowing only appropriate and necessary care.

**Holistic** - A holistic approach in health care attends to the patient/client's mind, body and spiritual needs. Patients/clients are cared for in an environment which is sensitive to their beliefs, values and culture. The environment promotes health so that patients/clients and staff are in a state of harmony with one another.

**Length of Stay** - The length of an inpatient's stay in a hospital or other health care facility. It is one measure of use of health facilities, reported as an average number of days spent in a facility per admission or discharge.

**Long-Term Care** - Method of providing care to individuals who require full-time monitoring

and treatment over an extended period of time, but do not require acute inpatient care.

**Management Service Organization (MSO)** - Usually a wholly owned subsidiary of a health system that purchases and manages assets, negotiates care contracts, and provides other administrative and managerial services.

**Medicaid** - State programs of public assistance to persons regardless of age whose income and resources are insufficient to pay for health care. Title XIX of the Federal Social Security Act provides matching federal funds for financing state Medicaid programs.

**Medicare** - A federally sponsored program that provides hospital benefits and supplementary medical care services to those age 65 and over, as well as certain other eligible individuals. It was created by Title XVIII of the 1965 amendments to the Social Security Act.

**Medicare Part A** - Hospitalization insurance for Medicare-covered individuals.

**Medicare Part B** - Physician and ambulatory care insurance for Medicare-covered individuals. Medicare Partial Hospitalization for community mental health centers is a Part B benefit, paid by a Part A intermediary.

**Network** - A formally integrated group of providers working together with a common vision and goal. They jointly provide services through an integrated continuum of preventive and primary care, inpatient hospital care, alternative inpatient care, ambulatory care, transitional care and long-term or chronic care.

**Outcomes** - A measurement of the results of treatment, medications, and procedures for a health care consumer.

**Per Diem Cost** - The negotiated daily payment rate for delivery of services in one day regardless of actual services provided. Per diems can also be developed by the type of care provided, e.g., one per diem rate for acute care, a different rate for intensive care, etc.

**Per Member Per Month** - The ratio of some health care service or cost divided into the number of members in a particular capitated group on a monthly basis.

**Preventative Health Care** - Health care that has as its aim the prevention of disease, injury, or the worsening of an illness or condition before it occurs, thus focusing on keeping patients well rather than treating them once they are sick or have decompensated.

**Primary Care Medical Provider (PCMP)** – A primary care provider contracted with a RAE to participate in the Accountable Care Collaborative as a Network Provider.

**Quality of Care** - Quality generally includes the appropriateness and medical or clinical necessity of care provided, the appropriateness and clinical expertise of the provider who renders the care, and the condition of the physical plant in which services are provided. Two methods

for measuring quality are process evaluation (how care is provided) and outcomes' measurement (whether the desired result is achieved).

**Regional Accountable Entity (RAE)** – A single regional entity responsible for the duties previously performed by Regional Care Collaborative Organizations (RCCOs) and Behavioral Health Organizations (BHOs). RAEs are responsible for building networks of providers, monitoring data and coordinating members' physical and behavioral health care.

**Risk** - The change or possibility of loss. The sharing of risk is often employed as a utilization control mechanism within the managed care setting. Risk is also defined in insurance terms as the probability of loss associated with a given population.

**Risk Pool** - A portion of provider fees or capitation payments that are withheld as financial reserves to cover unanticipated utilization of services in an alternative delivery system.

**Service** - Customer defined and measured by customer satisfaction. It is an individualized and responsive collaboration with the customer. Service is delivered with respect, dignity, caring and compassion for the customer by individuals who are committed to and take pride in their work.

**Sub-acute Care** - Skilled, in-patient care provided in a distinct unit associated with a hospital; in a “stand-alone” sub-acute care facility; or, in specially licensed nursing home beds. This care is often required between an acute illness and convalescence or long-term care.

**Utilization** - The amount and rate at which patients/consumers use health care services. Utilization statistics are often used as a measure of the efficiency and appropriateness of health care services.

**Utilization Management/Review/Control** - A systematic means for reviewing and controlling patients' use of medical/clinical care services and providers' use of health care resources. It usually involves data collection, review and/or authorization, especially for services such as specialist referrals and emergency room use and particularly costly services such as hospitalization. Utilization Review is frequently used to curtail the provision of inappropriate services and/or to ensure that services are provided in the most cost-effective manner.