

**Bulletin Number:** MSA 17-20

**Distribution:** Nursing Facilities, County Medical Care Facilities, Hospital Long-Term Care Units, Ventilator Dependent Care Units

**Issued:** June 30, 2017

**Subject:** Related Party Home Office Cost Reporting

**Effective:** As Indicated

**Programs Affected:** Medicaid

This bulletin describes changes to the Home Office, Chain Organization, or Related Party Cost Reporting section of the Nursing Facility Cost Reporting and Reimbursement Appendix within the Medicaid Provider Manual. This policy eliminates the provision allowing for the removal of related party expenses in lieu of filing a home office cost report, updates the dollar threshold for filing a related party home office cost report, and creates an exception process. These changes are effective for cost reporting periods ending on or after January 31, 2018.

### **Related Party Business Transactions**

Current Medicaid policy requires a related party business to file a home office cost report if the dollar amount of routine costs allocated to an individual facility exceeds \$10,000 or \$50,000 for multiple facilities. The dollar amounts apply whether the costs are for routine or ancillary nursing services.

This bulletin updates the amounts from \$10,000 to \$25,000 and from \$50,000 to \$125,000. Beginning October 1, 2018 and biennially thereafter, these amounts will be updated based on the Centers for Medicare & Medicaid Services (CMS) Skilled Nursing Facility (SNF) Market Basket. The updated amounts will be posted to the Long-Term Care Reimbursement and Rate Setting Section (RARSS) website at [www.michigan.gov/medicaidproviders](http://www.michigan.gov/medicaidproviders) >> Billing and Reimbursement >> Provider Specific Information >> Nursing Facilities. The dollar thresholds will only apply to costs allocated to a Medicaid routine care unit either directly or through the step down process (i.e., if \$25,000 in costs are allocated to a nursing facility from a related party, but none of the costs are allocated to the Medicaid routine care unit, then no home office cost report would be required).

Related party expenses must remain on the individual nursing facility cost report for the proper allocation of overhead costs regardless of whether they are ancillary or routine. This provision applies even if a home office cost report is not required.

### **Exception Process**

An exception to the related party home office cost reporting requirements may be granted if all or part of the expenses are directly allocated to the nursing facility or facilities. If only part of the expenses are directly allocated, the sum of all other expenses allocated to a facility or facilities must be less than the dollar thresholds established in policy. Exceptions must be approved by RARSS prior to or on the due date of the home office cost report. Examples of expenses that would qualify for an exception include, but are not limited to: health insurance benefits, administrator and other staff salaries, retirement benefits, payroll taxes, other fringe benefits, contracted health services, medical supplies, office supplies, utilities, legal fees, etc.

### **Home Office, Chain Organization, or Related Party Cost Reporting**

This policy removes the following paragraph from the Home Office, Chain Organization, or Related Party Cost Reporting section:

If the facility does not provide the above referenced supporting documentation to support home office or related party organization costs, the facility must remove the costs from the nursing facility's cost report. The nursing facility's cost report will not be accepted if the provider does not remove the unsupported costs.

### **Manual Maintenance**

Retain this bulletin until the information is incorporated into the Michigan Medicaid Provider Manual.

### **Questions**

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Health and Human Services, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mail at [ProviderSupport@michigan.gov](mailto:ProviderSupport@michigan.gov). When you submit an e-mail be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll-free 1-800-292-2550.

### **Approved**



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