

# DHMH POLICY

<http://www.dhmh.state.md.us/policies/inpolm.htm>

BUDGET REVENUE ADMINISTRATION

DHMH POLICY 02.02.02  
Effective Date: May 24, 2011

## MEDICARE COST REPORTS

### I. EXECUTIVE SUMMARY

The policy requires that directors of those facilities which are a Certified Medicare Provider submit, by a date established by the Division of Cost Accounting and Reimbursements, the annual Medicare Cost Report (Federal Form HCFA 2552) along with any other necessary information for the prior fiscal year to the Division of Cost Accounting and Reimbursements. The policy instructs the directors of those facilities and the Division of Cost Accounting and Reimbursements to maintain complete supporting documentation for costs which were generated or calculated by their personnel and included in the report. The directors of facilities are also required to take necessary action to correct any audit exceptions.

The Division of Cost Accounting and Reimbursements is required to give advice and guidance on proposed actions to correct audit deficiencies; to provide technical and consultation services to the directors of facilities; and, if necessary, to teach facility personnel in matters pertaining to completion of the cost reports. The Division of Cost Accounting and Reimbursements is mandated to calculate certain cost figures (central office overhead, General Construction Loan (GCL) interest, etc.) for the previous fiscal year.

The Division of Cost Accounting and Reimbursements is also required to prepare for each facility, the professional components and special supplements of the annual Medicare Cost Report and, together with the facility part of the report, submit same to the fiscal intermediary within one hundred and forty (140) days of the close of the State of Maryland's fiscal year. The Division of Cost Accounting and Reimbursements must also establish, in coordination with the facilities and others, at least every July and possibly every January, maximum per diem rates that may be charged to patients and clients and shall be the liaison between the department, the facilities of the department and the organization that represents Medicare in fiscal matters in this region (the Medicare fiscal intermediary).

### II. BACKGROUND

The State of Maryland is entitled to receive monetary reimbursement under the federal Medicare Program for services rendered to eligible patients and clients in state-operated facilities. The monies received are deposited to the credit of the General Fund of the

**Department of Health & Mental Hygiene**

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State of Maryland. This version of DHMH Policy 02.02.02 supersedes and replaces DHMH Policy 02.02.02 (previously DHMH Policy 3820 issued August 11, 1982) dated September 14, 1998. The changes to this version are administrative in nature and include updating name changes, references and inserting hyperlinks.

This policy responds to the need to clarify, define and delineate the responsibilities of personnel of the Department of Health and Mental Hygiene's facilities and the Division of Cost Accounting and Reimbursements with respect to the annual Medicare Cost Report (Federal Form 2552). These reports are designed to capture allowable (i.e., reimbursable) costs of operating a facility certified by Medicare. In order to receive Medicare reimbursement, the cost report must be prepared in an accurate and timely fashion, must be supported by adequate documentation and must be submitted to the appropriate authority as outlined by the federal guidelines within one hundred and forty (140) days of the close of the State of Maryland's fiscal year. These reports are submitted to the Medicare fiscal intermediary by the Division of Cost Accounting and Reimbursements.

The following penalties for late or incorrect cost reports may be imposed: Medicare withholds reimbursement until the report is filed; Medicare may require that any reimbursement already paid for the reporting period be returned; and Medicare may exclude some expenditures from reimbursement because of inadequate supporting documentation and consequently may require repayment of a specified amount.

### **III. POLICY STATEMENTS**

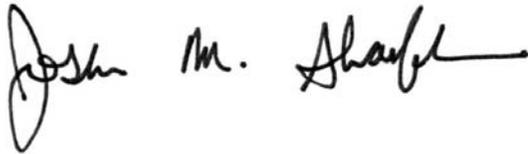
1. The directors of the facilities which are a Certified Medicare Provider (see EXHIBIT A) shall have the annual Medicare Cost Report (Federal Form 2552) prepared for their facility and submitted by the date established by the Division of Cost Accounting and Reimbursements to the Division of Cost Accounting and Reimbursements. A copy of the Medicare Cost Report (Federal Form 2552) and any other necessary information shall be submitted to the designated outside contractor of the Medicaid program for use in their audit. (see DHMH Policy 02.02,03)
2. The directors of those facilities which are a Certified Medicare Provider shall maintain adequate and complete supporting documentation for the costs which have been generated by the facility and included in the report. This supporting documentation shall be made available to the Division of Cost Accounting and Reimbursements and the Medicare and Medicaid fiscal intermediary for audit.
3. The directors of facilities which, under a shared service agreement or other agreement, supply fiscal information and/or other information to a second facility(ies) for inclusion in the annual Medicare Cost Report (Federal Form 2552) of the second facility, shall be responsible for maintaining adequate and complete supporting documentation for the information.

4. The directors of facilities, under a shared service agreement or other agreement, shall establish appropriate lines of communication so that all necessary information can be exchanged in sufficient time for the reporting facility to meet the deadlines established by this policy.
5. The directors of those facilities which are a Certified Medicare Provider shall take corrective action on any deficiency cited in the audit review of the Medicare Cost Report.
6. The Division of Cost Accounting and Reimbursements shall advise and give guidance to the directors of the facilities on proposed actions to correct deficiencies cited in the annual Medicare Cost Report audit or review.
7. The Division of Cost Accounting and Reimbursements shall provide technical assistance and consultation to the directors of the facilities with respect to completing the Medicare Cost Report and shall, if necessary, hold training sessions for the appropriate personnel of the facility.
8. The Division of Cost Accounting and Reimbursements shall calculate the appropriate actual or estimated indirect cost figures (central office, General Construction Loan (GCL) Interest, etc.) for the previous fiscal year.
9. The Division of Cost Accounting and Reimbursements shall prepare for each appropriate facility the professional component and special supplements for the annual Medicare Cost Report.
10. The Division of Cost Accounting and Reimbursements shall maintain adequate and complete documentation for the cost calculated by the division and included in the Medicare Cost Report. The supporting documentation shall be made available to the Medicare fiscal intermediary upon request.
11. The Division of Cost Accounting and Reimbursements shall submit, within one hundred and forty (140) days of the close of the Maryland fiscal year, the completed Medicare Cost Report to the fiscal intermediary for the State of Maryland.
12. The Division of Cost Accounting and Reimbursements, every July or more often, if required, in coordination with appropriate facilities and divisions of the department, shall establish maximum per diem rates that may be levied by departmental facilities for services rendered to patients or clients.
13. The Deputy Chief, Division of Cost Accounting and Reimbursements is the liaison between the Department of Health and Mental Hygiene, the facilities of the department and the Medicare fiscal intermediary.

**IV. REFERENCES**

- Medicare Provider Reimbursement Manual (HCFA-Publication 15-1 and 15-II)  
<https://www.cms.gov/Manuals/PBM/list.asp>
- COMAR 10.02.01 Charges for Services Provided Through the Department of Health and Mental Hygiene (DHMH)  
[http://www.dsd.state.md.us/comar/SubtitleSearch.aspx?search=10.02.01.\\*](http://www.dsd.state.md.us/comar/SubtitleSearch.aspx?search=10.02.01.*)
- DHMH Policy 02.02.03 Medicaid Cost Reports  
<http://www.dhmh.state.md.us/policies/p020203.htm>

**APPROVED:**



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**Joshua M. Sharfstein, M.D., Secretary, DHMH**

**May 24, 2011**  
**Effective Date**

**EXHIBIT A**

**SUMMARY OF COST REPORT REQUIREMENTS**

**I. The following facilities submit a Medicare Cost Report. This report is used for the Medicaid Cost Report, when supplemented by additional information.**

Deers Head Center

Eastern Shore Hospital Center

Springfield Hospital

Spring Grove Hospital Center

Thomas B. Finan Center

Western Maryland Center

**II. The following facilities submit a Medicaid cost report. This report may be prepared by another facility.**

Deer's Head Center Skilled Nursing Facility (SNF) Report

Holly Center

Potomac Center

Regional Institute for Children and Adolescents - Baltimore

Regional Institute for Children and Adolescents - John L. Gildner

Western Maryland Center SNF Report

**The following facility has no cost report requirement for either Medicare or Medicaid.**

Clifton T. Perkins Hospital Center