

INSTRUCTIONS FOR THE HCF-4/HCF-2 RH COST REPORT

CENTER FOR HEALTH INFORMATION AND ANALYSIS
CHIA
501 BOYLSTON STREET
BOSTON, MA 02116

Contents

INTRODUCTION3

HCF-4/HCF-2 RH – SCHEDULE BY SCHEDULE INSTRUCTIONS6

GENERAL SCHEDULE6

DISCLOSURES SCHEDULE.....6

BALANCE SHEET SCHEDULE7

PROFIT LOSS SCHEDULE8

RESIDENT DAYS SCHEDULE10

CLAIMED FIXED ASSETS10

MORTGAGES AND NOTES SCHEDULE10

WAGES AND BENEFITS SCHEDULE11

FOOTNOTES SCHEDULE11

CERTIFICATION SCHEDULE11

HCF-2-RH SCHEDULE.....12

INTRODUCTION

The Center for Health Information and Analysis uses Forms HCF-4/HCF-2 RH Excel and HCF-3-RH Paper version as the basis for computing per diem rates of payment for resident care facilities that care for publicly aided patients and for informational purposes in various databases. It is extremely important that these reports are prepared by people who are familiar with the regulation 101 CMR 204.00 Rates of Payment to Resident Care Facilities. Copies of this regulation may be obtained on the EOHHS website at <https://www.mass.gov/doc/emergency-adoption-date-filed-december-22-2023-2/download>.

Reminders about the FY2023 Rest Homes Cost Report

- 1) Providers are required to submit a completed HCF-4/HCF2 RH cost report in Excel (not PDF) via email at data@chiamass.gov.
- 2) Submitters must adhere to the following standard file naming convention when saving and submitting their cost report documents:
 - AgencyName_RestHomesCR23.xlsx
- 3) Covid-Related Supplemental Payments should be reported under Line 1.9: Covid-Related Supplemental Payments in the Profit Loss tab of the cost report.
- 4) On the 'Net Worth' section in table 6 in the 'Balance Sheet' tab, you must fill out either Proprietorship or Partnership Capital (Line #s 6.1- 6.4) or Corporation Capital (Line #s 6.5 – 6.8). You must not fill out both sections, which will result in errors.
- 5) On the 'Balance Sheet Check' section in table 7 in the 'Balance Sheet' tab, Total Assets, Line 7.1, must be equal to Total Liabilities and Net Worth, Line 7.2. If not, the Balance Sheet Check will fail.

WHO MUST FILE:

All resident care facilities who render care to publicly-aided patients must file a residential care facility cost report.

WHAT TO FILE:

- 1) Resident care facilities must file the HCF-4/HCF-2 RH Excel cost report.
- 2) Resident care facilities that do not own their real property and pay rent must complete the HCF-2 RH Schedule in the HCF-4 and HCF-2 Excel cost report.
- 3) Resident care facilities that have a management or central office must file an HCF-3 cost report. This report is still a paper report. See Separate instructions for the HCF-3 cost report.

WHEN TO FILE:

Forms HCF-4, HCF-2-RH and HCF3 are calendar year cost reports. The reports for 2023 are due no later than **May 1, 2024**.

When there is a transfer of ownership, the cost report(s) (as well as all prior reports) are due within sixty (60) days. These partial year reports must be filed for the exact period of the calendar year that the provider number existed. New facilities should review the filing requirements as stated in 957 CMR 6.13(3).

WHERE TO FILE:

Residential care facilities are required to submit paperless submissions for these reports in the Excel format. These reports should be emailed to CHIA.Data@chiamass.gov. The name of the Excel file must include the name of the facility, the cost report type, and year as shown below.

- **AgencyName_RestHomesCR23.xlsx**

ADDITIONAL INFORMATION

For assistance in completing the cost report, please email costreports.LTCF@chiamass.gov with the following information in the subject line of your email:

1. Name of the agency with Vendor Payment Number (VPN)
2. Name of the cost report in question
3. Cost report reporting year

Subject Line Example: Question on FY2023 Rest Homes Cost Report – ABC agency, VPN# 1234567

Please note: If there are additional members of your organization who would like to receive CHIA cost report notifications, please email at costreports.LTCF@chiamass.gov. We would be happy to add the emails to our provider listing so that the appropriate contacts also receive these notifications.

Reporting COVID-19 Payments and Expenses

Covid-Related Supplemental Payments should be reported under Line 1.9: Covid-Related Supplemental Payments in the Profit Loss tab of the cost report.

GENERAL INFORMATION

The HCF-4/HCF-2-RH and the HCF-3 must be completed on an accrual basis. These reports are essentially balance sheets and income statements which must accurately reflect the complete financial condition of the facility, realty trust, management company, or other reporting entity. **IT IS ESSENTIAL THAT EACH REPORT REFLECT THE ENTIRE FINANCIAL STATEMENT OF THE REPORTING ENTITY. (PARTIAL REPORTING IS NOT ACCEPTABLE.)** There is a minor exception to this requirement: certain timing differences between the books of the provider and the claim for reimbursement may occur. This could result in modest variances between the cost report and the provider's books. If the numbers on the cost report cannot be traced directly to the financial statements, you must fill out the 'Reconciliation of Cost Report Net Income to Financial Statement (Book) Net Income' section in the Profit Loss tab of the HCF-4/HCF-2 cost report.

In addition to being a complete financial statement, these forms also constitute a claim for reimbursement. On the HCF-4/HCF-2 RH, the conversion from a financial statement to a claim for reimbursement begins with entering the total expenses and subtracting the non-allowable expenses. The report also provides a vehicle to claim allowable fixed costs and costs that were generated through the entities which report on the forms HCF-2-RH (realty company) and HCF-3 (management company/central office).

These forms have been designed for internal processing purposes. **NO CHANGES TO THE ACCOUNT NUMBERS OR FORMATS ARE ALLOWED.** The forms should be TYPED IN BLACK INK. Only the original form or an approved facsimile will be accepted. Only WHOLE DOLLARS should be reported and rounding off cents should be done carefully to ensure that all totals balance precisely. **MATHEMATICAL ERRORS** are a MAJOR

REASON for COST REPORTS being returned to PROVIDERS. Please be sure to check that all subtotals have a numerical value entered and that the subtotal reported matches the sum of all amounts.

ALL SCHEDULES THAT ARE NOT APPLICABLE SHOULD BE MARKED WITH "N/A." BLANK SCHEDULES WILL BE RETURNED TO THE PROVIDER.

Footnotes which reveal special information are not only permissible but are required whenever the cost report says "Explain." However, please place such additional information and/or audit marks away from the account and value information which will be keypunched.

THE HCF-4/HCF-2 RH MUST BE ATTESTED TO IN THE CERTIFICATION SCHEDULE. REFER TO THE INSTRUCTIONS ON ATTESTING THIS COST REPORT IN THE CERTIFICATION SCHEDULE SECTION OF THIS INSTRUCTION MANUAL.

Computer generated facsimiles are no longer acceptable since this HCF-4/HCF-2 RH cost report is now using Excel. The HCF-3 cost report should be submitted via email in pdf.

OTHER BUSINESS ACTIVITY AND TRANSACTIONS

Those facilities that provide adult day care must file a separate Adult Day Health cost report with the Center. The amount reported on the HCF-4/HCF-2 RH in the General Schedule Table 1A, must match the total amount reported on the separate Adult Day Health cost report. The Claimed Fixed Assets Schedule of this cost report must not include any fixed assets or expenses associated with the adult day business activities. All other business activities related to adult day care or other business activities must be identified and reported in Table 1A in the General Schedule of this cost report. Additionally, all expenses associated with these other business activities must be reported in the Profit Loss Schedule in accounts 8040.0 and 8065.0 (lines 2.101 and 2.102). These accounts have been established to collect all the relevant other business activity expenses. Any costs associated with these other business activities must be reported here. Any asset additions to fixed assets should be assumed to be shared by those activities unless specific assets have been identified and recorded as contributing to only one cost center. Specific identifications of assets or other costs must be explained and documented.

DETERMINATION OF NEED

If the facility received a letter of final approval of a Determination of Need, please email a copy of the letter outlining the approved maximum capital expenditures at data@chiamass.gov. A detailed analysis reconciling the Determination of Need letter to the claim on Claimed Fixed Assets Schedule of the HCF-4/HCF-2 RH, is required. This analysis should be provided in the Footnotes Schedule.

COST SPLITTING

Any cost which is split across two or more accounts on the cost report(s) shall be supported by adequate documentation. Adequate documentation for personnel costs that are split shall be defined as follows: complete and detailed time records such as timecards or sheets recorded on an individual basis and supporting the splitting of the personnel cost among the accounts, as well as work schedules and job descriptions. Each account impacted by such cost splitting shall be identified and the cost splitting fully explained in the Footnotes Schedule of the HCF-4/HCF-2 RH.

FINAL CHECK-OFF

Many cost reports are returned, rates delayed, or unnecessary disputes are created because of reporting errors. To help you avoid these pitfalls and allow the Center to process rates timely and efficiently, please review the following checklist.

1. Has the HCF-4/HCF-2 RH been dated to indicate attestation by the owner, partner, or officer?
2. Is each report mathematically, correct? Please review the mathematical calculations for accuracy in areas including but not limited to bucket account totals, totals from supplementary schedule details that must reconcile with the general accounts totals and amounts that must match values reported either on another schedule and/or an account value from a prior year report. Please check for differences caused by the rounding to whole dollars.
3. Have the fixed assets been reported on an allowable basis instead of actual cost?
4. Have the non-allowable expenses been reported correctly?
5. Are you satisfied that by converting this report to a claim that the resulting rate will accurately reflect all the provisions of 101 CMR 204.00 which define reasonable operating costs as those costs incurred by a provider which are reasonable and necessary in providing adequate care to publicly-aided patients?

HCF-4/HCF-2 RH – SCHEDULE BY SCHEDULE INSTRUCTIONS

GENERAL SCHEDULE

This schedule has 5 tables for reporting facility information, contact information, preparer information, other business activities, and bed licenses information. Each table must be completed in its entirety.

Facility Information

This schedule asks several questions that confirm and update basic Center data, indicate changes of ownership, and disclose specific conditions or situations to help the Center staff to better understand the provider's operation and expeditiously set rates.

Please note that the answers to several of the questions on this schedule may require a follow up action, specific entries elsewhere on this report or further elaboration on the Footnotes Schedule of the HCF-4/HCF-2 RH.

Provider ID/MMIS ID (Line 1.2) – This number is the new MMIS number assigned to each facility.

Preparer Information

If someone other than the Owner, Partner or Officer prepared this report, enter the preparer information, and check the box in line 3.1. Otherwise, enter N/A.

DISCLOSURES SCHEDULE

This schedule contains tables for reporting the direct and indirect ownership of the resident care facility, common ownership with any Massachusetts and non-Massachusetts nursing and residential care facilities, related party transactions, indebtedness, owner compensation, and five highest paid salaries. Use the following definitions when completing these tables. Each of the 6 tables on this schedule has specific instructions under the table heading.

Direct owner: The legal entity or individual that is the resident care facility's owner of record. Enter the name of the corporation, trust, partnership, government agency, sole proprietor or other legal entity that is the legal owner of record.

Indirect owner: Any individual or entity that holds a 5% or greater financial interest in the resident care facility direct owner. Enter the name of each stockholder, trust beneficiary, partner or any other individual or entity with such an interest.

Related party: An individual or organization associated or affiliated with, or that has control of, or is controlled by, the Provider; or is related to the Provider, or any director, stockholder, trustee, partner or administrator of the Provider by common ownership or control or in a manner specified in sections 267(b) and (c) of the Internal Revenue Code of 1954 as amended provided, however, that 10% is the operative factor as set out in sections 267(b)(2) and (3). Related individuals include spouses, parents, children, spouses of children, grandchildren, siblings, fathers-in-law, mothers-in-law, brothers-in-law, and sisters-in-law.

BALANCE SHEET SCHEDULE

The information in this schedule must accurately reflect the financial position of your entity.

Assets:

Current Assets:

1050.0 Other Cash: Other cash assets not included in checking account and cash on hand.

1010.0 Total Cash and Cash Equivalents: Calculation (Total of accounts 1020.0 through 1050.0)

1270.0 Prepaid Interest: Interest benefit paid for in advance.

1280.0 Prepaid Insurance: Insurance benefit paid for in advance.

1295.0 Capitalized Pre-Opening Costs: Cost incurred prior to the admission of residents in new facilities and which have been capitalized by the provider. Examples of such costs, commonly referred to as start-up costs, include the salaries and related expenses of the administrator and other staff that were hired prior to the date of licensure and arrival of the first resident. The amortization expense related to the capitalized pre-opening costs should be reported in account # 4435.0, Pre-Opening Expenses, which will be automatically disallowed by the Center.

1300.0 Other Prepaid Expenses: This account should be used to record expenditures for future benefits. An example would be prepaid rent. This account should not be used to capitalize improvements or maintenance expenses which, in the provider's opinion, may benefit future periods. Improvements or maintenance costs that will benefit future periods should be capitalized into the appropriate Improvement Fixed Asset Account and depreciated over the aggregate useful lives established by the Center's regulations. Similarly, this account should not be used to record and subsequently claim pre-opening costs which are not reimbursable or training costs which, while reimbursable, are to be expensed in the period in which they are incurred.

1005.0 Total Current Assets: Calculation (Total of Accounts 1010.0, 1060.0, 1150.0, 1190.0, 1210.0, 1260.0, and 1310.0).

Fixed Assets:

For each asset type, report the book value and the accumulated depreciation.

Land

Building

Building Improvements

Leasehold Improvements

Other Improvements

Equipment

Motor Vehicles

Software/Limited Life Assets

Deferred Charges and Other Assets:

1975.1 Mortgage Acquisition Costs: This account is used by providers to disclose the balances that relate to the annual amortization reported as additional interest expense on Schedule 5, Analysis of Mortgages and Notes Payable.

1979.0 Construction in Progress: Construction in progress or work in progress should be reported in this account. Such construction or work in progress should never be reported and claimed as an allowable asset on Schedule 'Claimed Fixed Assets'. Only when the asset has been converted to full use for the care of patients should it be entered there.

1980.0 Other-All other non-current assets.

Current Liabilities:

2110.0 Officer, Owner, Related Parties: The portion of loans to the resident care facility by the Owner, Officer, or Related Parties due within a year.

2120.0 Subsidiaries and Affiliates: As above but loan would be from subsidiary or affiliate.

2130.0 Banks: Line of credit due within a year.

2150.0 Other Short-Term Financing: Working Capital from any source not individually listed that is due within a year.

2160.0 Payments Due Within One Year on Long Term Debt: Most providers have long-term debt and accordingly, report values in Mortgages (**2310.0**), and Other long-term debt (**2320.0**). Any provider who reports a mortgage or other long-term debt must also enter the amount, which is due within one year under Current Liabilities, acct. 2160.0. If no portion of the long-term debt is due within one year, an explanation should be provided in the Footnotes and Explanations section.

2290.0 Other Current Liabilities: All other current liabilities not cited above.

Net Worth:

2510.0 Total Proprietorship or Partnership Capital: The sum of accounts 2520.0 through 2550.0.

2610.0 Total Corporation Capital: The sum of accounts 2620.0 through 2650.0

PROFIT LOSS SCHEDULE

The excel version of the HCF-4 cost report merges the former HCF-4 paper version schedules 2, 7, 13, 14, 16, and 17 into this new Profit Loss Schedule. You are required to enter self-disallowed expenses in column 2 of Table 2 in this schedule. Automatically disallowed expenses will populate column 3 when values are entered in column 1.

There are multiple tables that make up this schedule. Some of these tables are detail tables and require the user to provide details of certain costs. The totals of these detail tables will be automatically carried to the main Profit Loss Schedule. Examples of these detailed tables are clerical salaries and other accounting expenses.

Expenses:

4110.1 Administrative/Responsible Person Salaries: This account should be used to report the salary of the Administrative/Responsible Person as defined in 101 CMR 204.00.

4125.1 Officer Salaries: Officer salaries are presumed to be for non-active officers. If the officer performs an active role in the facility's operation, the salary and related benefits and taxes should be posted to the account representing the type of work done. For example, if the officer works in the nursing department,

the salary and related expenses should be reported in nursing salaries and nursing benefit, taxes, and workers compensation accounts.

4160.6 Management Consultants: Examples of consulting expense include public relations development, recruiting through personnel agencies, reorganization of medical records by outside vendors, and feasibility studies.

4275.5 Motor Vehicle Expense: All costs associated with the operation of a motor vehicle including insurance, excise tax, depreciation, and interest on a motor vehicle note should be reported in this account.

4310.1 Employee Benefits – Pensions: Payments made to a pension plan on behalf of employees. The cost of benefits paid directly to the employee (vacation, sick, or holiday pay) should be reported in the appropriate salary account and not under benefits.

4431.7 Insurance: Malpractice and General Liability: This account should be used to report and claim both malpractice and general liability insurance. General liability insurance should not be included in fixed asset expense accounts. Likewise building insurance must be reported in the fixed asset expense accounts.

4435.0 Pre-Opening Expenses: Pre-opening expenses should be used to report the amortization of capitalized pre-opening costs which is discussed in the balance sheet section of the instructions. The amortization of such costs is not reimbursable.

4515.8 Personal Property Taxes: Within the fixed cost section of the profit and loss statement there is an account called Personal Property Taxes. This account should be used to report taxes paid on the value of equipment and furnishings to municipalities, where applicable.

7011.1 Indirect Restorative Therapy Salaries: Services of physical therapists, occupational therapists, and speech, hearing and language therapists to provide orientation programs for aides and assistants, in-service training to staff, and consultation and planning for continuing care after discharge.

7012.1 Direct Restorative Therapy Salaries: Services of physical therapists, occupational therapists, and speech, hearing and language therapists provided directly to individual residents to reduce physical or mental disability and to restore the resident to maximum functional level. Direct restorative therapy services are provided only upon written order of a physician, physician assistant or nurse practitioner who has indicated anticipated goals and frequency of treatment to the individual resident.

7012.2 Direct Restorative Therapy Benefits: This account includes all associated salary costs such as employer payroll taxes, workers' compensation, health and life insurance, and pension benefits.

8040.0 Adult Day Care Costs: See Other Business Activities Section of this instruction manual (page 6).

8065.0 Other Non-Nursing Costs: These accounts should collect all the costs, including fixed costs and that portion of any shared costs which relate to these activities and are not necessary for the care of publicly aided residents in the resident care facility.

Reconciliation of Cost Report Net Income to Financial Statement (Book) Net Income:

This table should be used to disclose any difference between the cost report and financial statements. Material items appearing on this schedule must be explained in detail in the Reconciling Items section as well as the Explanations section in the Footnotes schedule.

***Note: Difference between Total Reconciling Items and Variance Between Cost Report and Financial Statements: Net Income, Line 400 must be equal to 0.**

9960.3 Allocated Administrative and General from Management Company (HCF-3): The title of this account has been revised to Allocated Administrative and General from Management Company (HCF-3). This account is entered manually from Schedule 10, Part 1 of the HCF-3.

9502.2 Other Operating Expense Add-Back from Realty Company (HCF-2 RH): The title of this account has changed. This account is used to claim any operating expenses incurred by the realty company. This amount is automatically populated from the HCF-2-RH Schedule.

RESIDENT DAYS SCHEDULE

Resident days are the unit of service in a resident care facility. They represent the number of days of occupancy in a facility. Resident days represent an important part of the per diem rate computation and help to provide valuable statistics. Resident days should be calculated and reconciled not only to billings but the daily census as well. Furlough or reservation days should be included.

Community support resident days should be categorized as Public Community Support Residential Days (0180.0), Line 6.5 or Private Community Support Residential Days (0182.0), Line 6.6 and then totaled in Total Community Support Residential Days (0185.0), Line 600.

If your cost report represents an accounting period of less than 12 months, you must report **ACTUAL** resident days. **DO NOT ANNUALIZE.**

Use the space provided in the Footnotes Schedule to detail any "Other Public" Nursing or Resident Care days noted. For example, if a resident care facility has a contract with a Health Maintenance Organization or Neighborhood Health Plan to Care for Medicaid residents, these resident days would be specified under "Other Public Payers" and would be described in detail (type of contract, number of residents, number of days, HMO or Health Center) for each quarter. If resident days are reported under "VA and Other Public" then the income for those days should be reported in VA and Other Public (account 3023.2), Line 1.6 Gross Income section in the Profit Loss schedule.

For patients with multiple payer sources, the primary payer source should be used for the patient day classification.

CLAIMED FIXED ASSETS

This schedule now requires you to report general facility fixed asset information, changes in facility and/or realty company ownership, and details of any major additions and substantial capital expenditures.

You are to report **only the allowable fixed costs** on this schedule. Great care should be taken with this schedule since this is the basis of your fixed cost reimbursement. Errors and omissions on this schedule cause serious delays in computing rates. The allowable basis is seldom the same as the actual cost so preparers should carefully review the provisions of 101 CMR 204.00. The starting point of this schedule should be your ending allowable basis from the previous year. This information can be provided by CHIA if needed. Your claim for long-term interest including related period expense such as service fees, mortgage insurance, etc. as well as any new allowable long-term debt should reflect all permanent factors calculated on your existing debt as well as any new long-term debt. Make complete disclosure of your calculations supporting the permanent factor(s) of your new debt in the Footnotes Schedule.

Building insurance related to resident care activities must be reported on this schedule to be claimed as a fixed asset expense for reimbursement purposes. **Do not** report building insurance expense in general and malpractice insurance expense accounts.

MORTGAGES AND NOTES SCHEDULE

This schedule should include all mortgages and notes payable whether interest expense has been incurred. Rates of interest should be clearly indicated. For Variable rate mortgages use "VAR" or "P + #" if appropriate. **Period expenses**, such as mortgage insurance or fees, must be reported as a period expense and a detailed disclosure must be made in the Footnotes Schedule. Liabilities relating to working capital debt should be reported on table 2 of this schedule. Interest on working capital debt is not allowable. Only interest on long-

term debt that supports the financing of fixed assets is allowable. All existing debt should reconcile to the appropriate Balance Sheet and Profit Loss Schedule accounts. Consistent balances must be carried forward from the previous year's cost report. New financing or refinancing must be completely disclosed here. Details of items such as mortgage acquisition costs, bond discounts, bond premiums, bond service fees, interest earned on escrow funds and negative principal payments, as well as any other significant information with regards to this long-term debt should be disclosed in the Footnotes Schedule. Long-term debt bonds must be reported at the face or stated value of the bonds at the time of issue and bond discounts, or premiums reported as a mortgage acquisition cost. Total disclosure of all facts regarding such financing must be made in the Footnotes Schedule.

WAGES AND BENEFITS SCHEDULE

This schedule requires the provider to furnish data for persons employed as staff of the facility. Do not report data on persons hired through temporary staffing agencies or those hired as "day-labor." Persons hired for the facility by a management company or central office entity should be reported if they are included in the HCF-4 salary accounts referenced. Data should be provided on the **accrual method of accounting** and should correspond to the values in the Profit Loss Schedule salary accounts referenced in Column 5.

Column 1: This number should be calculated by dividing the total hours (column 3) for each salary category by 2,080. For example, 3,500 hrs. / 2,080 = 1.7 FTE's (Full Time Equivalents).

Column 2: The number of persons employed as staff of the facility in each category. Part-time employees and those employed for less than the full year (52 weeks) are each counted as one employee.

Column 3: The total hours for which time records were kept and wages were paid for staff in each category, as recorded using the accrual method of accounting. This must include all accrued sick, vacation, personal, and holiday time for this reporting period. Volunteer hours are not reported, but hours worked by non-paid workers must be included.

FOOTNOTES SCHEDULE

This schedule is used to provide detail to any of the information provided on the HCF-4/HCF-2 RH cost report that requires elaboration, explanation, or clarification. For each line of the cost report marked with an "***", you are *required* to provide details in this schedule. This schedule has been formatted to accept explanations for each of these "***"s. There is unlimited additional space on this schedule for providing further information.

CERTIFICATION SCHEDULE

Certification by Preparer:

Complete the preparer information on lines 1.1 through 1.11. Review the attestation on line 1.12 and checkbox the box if you agree to these statements. Enter the date in line 1.13. By entering the date, you authorize that you are certifying the data in the cost report as preparer.

Certification by Owner, Partner, or Officer:

Complete the owner, partner, or officer information on lines 2.1 through 2.4. Review the attestation on line 2.5 and checkbox the box if you agree to these statements. Enter the date in line 2.6 By entering the date, you authorize that you are certifying the data in the cost report as the facility owner, partner, or officer.

HCF-2-RH SCHEDULE

If the operating company incurs rent expense or if a value is reported on the HCF-4 in Real Property Rent Expense, Line 2.45 (account 4535.8) in the Profit Loss schedule, the HCF-2 RH Schedule must be completed. Real property rent expense will be disallowed, but the allowable costs of the realty company can be added to the fixed cost calculation. The HCF-2-RH is required whether the realty is owned by a related party or not.

PART I : FACILITY SPECIFIC REALTY COMPANY INFORMATION AND DISCLOSURES

There are 7 tables that require your input. Each table has specific instructions listed below the table heading. Refer to the Disclosures Schedule instructions for definitions of direct owners, indirect owners, and related party when completing these tables.

The 7 tables are:

- 1) Facility Information
- 2) Direct and Indirect Owners
- 3) Other Owned Facilities
- 4) Indebtedness
- 5) Related Party Transactions
- 6) Proprietor, Partnership, or Corporate Information
- 7) Five Highest Paid Salaries

PART II: CONDENSED FACILITY SPECIFIC REALTY COMPANY FINANCIAL INFORMATION

The information in this part must accurately reflect the financial position of your entity. Since the balance sheet accounts in the HCF-2-RH are like those in the HCF-4, please refer to the definitions in the instructions for the Balance Sheet and the Profit Loss schedules. Unique accounts for realty companies are listed below with specific instructions.

3510.0 Resident Care Facility Rental Income: This account represents the income earned from renting the building and/or equipment to a nursing and/or resident care facility.

3520.0 Other Rental Income: This account represents the rental income earned from any person or entity, except for a nursing or resident care facility.

3530.0 Other Income: This account represents the income generated from non-rental transactions.

3540.0 Recoverable Fixed Asset Income: This is an account which should be used to report any fixed cost recoverable income.

PART III: FACILITY SPECIFIC REALTY COMPANY CLAIMED FIXED ASSET EXPENSES

Great care should be taken with this schedule since this is the basis of your fixed cost reimbursement. Errors and omissions on this schedule cause serious delays in computing rates.

The allowable basis is seldom the same as actual cost; carefully review the provisions of 101 CMR 204.00. The starting point of this schedule should be your ending allowable basis from the previous year and prior rate period rate calculations. Be sure to reflect the additions and deletions previously reported. The claimed building depreciation expense should be adjusted to the amount calculated based upon the building depreciation rate reflected on previous rates which may be greater than the 2.5%. Your claim for long-term interest including related period expense such as service fees, mortgage insurance, etc. as well as any new allowable Long-Term Debt should reflect all permanent factors

calculated on your existing debt as well as any new Long-Term Debt. Make complete disclosure of your calculations supporting the permanent factor(s) of your new debt in the Footnotes and Explanations section.

PART IV: FACILITY SPECIFIC REALTY COMPANY MORTGAGES AND NOTES PAYABLE

This part is to be used to report all mortgages and notes payable whether or not interest expenses is incurred. Each new note should be reported with all the data fields completed.