

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES (EOHHS) RESIDENT CARE FACILITY COST REPORT AND RATE SETTING

March 2026

Overview

- Section 1: Cost Reports
 - Submission Information and Resources
 - HCF-4/HCF-2
 - HCF-3
 - Financial Statements
- Section 2: Rate Calculations
 - Components for Rates Effective 12/1/2025
 - Variable Costs
 - Fixed Costs
 - Add-ons and Adjustments

Overview

- Resident Care Facility Report (HCF-4)
 - Facility/Preparer Info, Legal Status, Beds
 - Ownership Info, Related Parties
 - Balance Sheet
 - Profit and Loss Data
 - Patient Days by Quarter & Payor Mix
 - Claimed Fixed Assets
 - Mortgages and Working Capital Debt
 - Staff Hours, FTE's, & Detail of Benefits
 - Footnotes and Explanations

Overview

- Realty Company Report (HCF-2)
 - Ownership Information, Related Parties
 - Profit and Loss Data
 - Balance Sheet
 - Claimed Fixed Assets
 - Mortgages and Working Capital Debt

Overview

- Management Company Report (HCF-3)
 - Ownership Information, Related Parties, Legal Status
 - Balance Sheet
 - Profit and Loss Data
 - Allocation of Allowable Management Expenses
 - Adjustments to Expenses
 - Mortgages and Working Capital Debt
 - Claimed Fixed Costs

Section 1: Cost Reports

- Submission Information and Resources
 - Cost report instructions, along with the HCF-4/HCF-2 and HCF-3 cost report templates are available at: <https://www.chiamass.gov/resident-care-facility-cost-reports/>
 - CHIA uses cost reports as the basis for computing per diem payment rates.
 - Forms HCF-4/HCF-2 and HCF-3 are calendar year cost reports.
 - Providers are required to submit a completed HCF-4/HCF-2 RH cost report in Excel and financial statements via email at data@chiamass.gov.
 - Applicable providers must submit a completed HCF-3 cost report in PDF via email at data@chiamass.gov.

Section 1: Cost Reports – HCF-4/HCF-2

- All resident care facilities who render care to publicly-aided patients must file the HCF-4/HCF-2 RH Excel cost report and financial statements.
- 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.

Section 1: Cost Reports – HCF-4/HCF-2

- HCF-4/HCF-2 Cost Reports Cell Key

Cell Key	
Blue	Input by Data Submitter
Orange	Computation
Yellow	Derived from another Tab
Dotted Blue	From Cell on this Tab
Red	Non-Allowable Expense
Red Border Blue	Accepts Negative values

Section 1: Cost Reports – HCF-4/HCF-2

- General Schedule
 - Tables for reporting:
 - facility information
 - contact information
 - preparer information
 - other business activities
 - bed licenses information

Section 1: Cost Reports – HCF-4/HCF-2

- General Schedule

RESIDENT CARE FACILITY CY2024 COST REPORT (HCF-4)

SCHEDULE : GENERAL INFORMATION

Please check one:

<input type="checkbox"/>	New Facility Requesting a Rate	Refer to 101 CMR 204.00 for what type of cost data must be submitted.
<input type="checkbox"/>	Private Facility Requesting a Public Rate	
<input type="checkbox"/>	Annual Report	
<input type="checkbox"/>	Report of Major Addition or Substantial Capital Expenditure	

Facility Information		1
Table 1	Description	
Line #		
1.1	VPN	
1.2	Provider ID/MMIS ID	
1.3	Balance Sheet Date (MM/DD/YYYY)	
1.4	Name of Facility	
1.5	Street Address	
1.6	City	
1.7	Zip	
1.8	Telephone	
1.9	Federal Employer Identification Number	

Other Business Activities		
Table 1A	1	2
Line #	Other Business Activity	Select Yes/No from Dropdown Menu
1A.1	Child Day Care	
1A.2	Adult Day Care	
1A.3	Assisted Living	
1A.4	Other:	
		Explain:

Section 1: Cost Reports – HCF-4/HCF-2

- Disclosures Schedule
 - Tables for reporting:
 - 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
 - five highest paid salaries

Section 1: Cost Reports – HCF-4/HCF-2

- Disclosures Schedule

RESIDENT CARE FACILITY CY2024 COST REPORT (HCF-4)

SCHEDULE : DISCLOSURES

IMPORTANT: This schedule is an integral part of the HCF-4 cost report. This schedule must be completed in its entirety. When completing this schedule the following definitions of direct and indirect beneficial owner apply: 1) A **direct owner** is defined as a person or entity having any rights or benefits of ownership and having **an interest of record** in any partnership, joint venture, corporation or other entity. 2) An **indirect beneficial owner** is defined as a person having any benefits or rights of ownership, either direct or indirect, through one or more intermediaries, through any understanding or relationship with a person or entity, **resulting in benefits of ownership which are not of record**. It is incumbent upon the owner to fully disclose such interest. This schedule **MUST** be completed in entirety.

Direct and Indirect Owners

List all direct and indirect owners with an interest of 5% or more in this facility. If the facility is owned by a corporation, chain, or trust, list the name of the corporation, chain, or beneficial owner under "Owner Name".

Table 1	1	2	3	4	5
Line #	Owner Name (Last, First)	Address	Percent Ownership	Select Ownership Type	Select Direct or Indirect?
1.1					
1.2					
1.3					
1.4					
1.5					
1.6					

Other Owned Facilities

List the name(s) of any other nursing and/or residential care facilities in which the owners listed in Table 1 own, directly or indirectly, an interest of 5% or more.

Table 2	1	2	3	4	5
Line #	Nursing and/or Resident Care Facility	VPN	Name of Owner	Company Address	% Ownership
2.1					
2.2					
2.3					
2.4					
2.5					

Section 1: Cost Reports – HCF-4/HCF-2

- Balance Sheet Schedule
 - Information in this schedule must accurately reflect the financial position of the rest home.

Section 1: Cost Reports – HCF-4/HCF-2

- Balance Sheet Schedule

RESIDENT CARE FACILITY CY2024 COST REPORT (HCF-4)			
SCHEDULE : BALANCE SHEET			
Current Assets			
Table 1			1
Line #	Account #	Description	Account Balance
Cash and Cash Equivalents			
1.1	1020.0	Cash - Checking Account	
1.2	1030.0	Cash - On Hand	
1.3	1040.0	Temporary Investments	
1.4	1050.0	Other Cash	
1.100	1010.0	Total Cash and Cash Equivalents	-
Accounts Receivable			
1.5	1080.0	Private Patients	
1.6	1100.2	Publicly-Aided - MA LV IV (Billed)	
1.7	1104.1	Publicly-Aided - MA Commission for the Blind LV IV	
1.8	1101.2	Publicly-Aided - VA and Other Public	
1.9	1140.0	Reserve for Bad Debts	
1.200	1060.0	Total Accounts Receivable	-
Loans Receivable			
1.10	1160.0	Loans Receivable from Officers/Owners	
1.11	1170.0	Loans Receivable from Employees	
1.12	1180.0	Loans Receivable from Affiliates/Related Parties	
1.13	1185.0	Other Loans Receivable	
1.300	1150.0	Total Loans Receivable	-
1.14	1190.0	Interest Receivable	
1.15	1210.0	Supply Inventory	

Section 1: Cost Reports – HCF-4/HCF-2

- Profit Loss Schedule
 - Tables for reporting income and expenses.
 - Users 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.

Expenses						
Table 2			1	2	3	4
Line #	Account #	Description	Reported Expenses	Self Disallowed Expenses (9945.0)	Automatically Disallowed Expenses (9939.0)	Total Allowable Expenses
<i>Administrative Expenses</i>						
2.1	4110.1	Administrative/Responsible Person Salaries				0
2.2	4125.1	Officer Salaries*			0	0

- Costs are self-disallowed if the submitter knows them to be non-reimbursable under the regulation.
- Costs that are auto-disallowed are not reimbursable as they are not related to the direct provision of care to residents.
- Some tables in this schedule are detail tables and require the user to provide details of certain costs.

Section 1: Cost Reports – HCF-4/HCF-2

- Profit Loss Schedule (continued)
 - Several expenses recorded here are used to calculate the variable costs that are part of each facilities' per diem rate.
 - Further information about variable costs and how this schedule is used in rate calculations is provided in Section 2 of this presentation.

Section 1: Cost Reports – HCF-4/HCF-2

- Profit Loss Schedule (continued)
 - Net income data reported in the HCF-4/2 needs to be reconciled with the submitted financial statements.

Reconciliation of Cost Report Net Income to Financial Statement (Book) Net Income			
Table 4			1
Line #	Account #	Description	Amount
Cost Report Net Income			
4.1	3000.0	Total Cost Report Income	-
4.2	4000.0	Total Cost Report Expenses	-
4.100		Net Income (Loss) Cost Report	0
Financial Statement Net Income			
4.3		Financial Statement Reported Income	
4.4		Financial Statement Reported Expenses	
4.200		Net Income (Loss) Financial Statement	0
Variance			
4.5		Variance Between Cost Report and Financial Statements: Income	0
4.6		Variance Between Cost Report and Financial Statements: Expenses	0
4.7		Variance Between Cost Report and Financial Statements: Net Income	0
Reconciling Items			
4.8		Reconciling Item: Explain	
4.9		Reconciling Item: Explain	
4.10		Reconciling Item: Explain	
4.11		Reconciling Item: Explain	
4.12		Reconciling Item: Explain	
4.300		Total Reconciling Items	0
Reconciliation			
400		Difference between Total Reconciling Items and Variance Between Cost Report and Financial Statements: Net Income ***	0

Section 1: Cost Reports – HCF-4/HCF-2

- Resident Days Schedule
 - Contains tables to record the number of days of occupancy in the facility.
 - Resident days are the unit of service in a facility, and they are part of the per diem rate calculations.
 - If the cost report represents an accounting period of less than 12 months, you must report actual resident days. Don't annualize.

RESIDENT CARE FACILITY CY2024 COST REPORT (HCF-4)

SCHEDULE : RESIDENT DAYS

Resident Days January 1 - March 31			
Table 1	Account #	Payer Description	1 Reported Days
1.1	0210.5 & 0210.0	DTA: SSI/SSP	
1.2	0212.5 & 0212.0	DTA: Massachusetts EAEDC	
1.3	0215.4 & 0215.0	Non-Massachusetts DTA	
1.4	0260.5 & 0260.0	MA Commission for the Blind	
1.5	0270.5 & 0270.0	Veterans Administration and Other Public **	
1.6	0290.5 & 0290.0	Private	
100	0200.0	Total Resident Days January 1 - March 31	0

Section 1: Cost Reports – HCF-4/HCF-2

- Claimed Fixed Assets
 - Contains tables for reporting the allowable fixed costs.
 - Required 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.
 - Info in this schedule serves as the basis of the fixed cost reimbursement, which is a part of your per diem rate.

Section 1: Cost Reports – HCF-4/HCF-2

- Claimed Fixed Assets

RESIDENT CARE FACILITY CY2024 COST REPORT (HCF-4)										
SCHEDULE : CLAIMED FIXED ASSETS										
Claimed Fixed Asset Expenses										
Note: This table does not include all fixed assets for the facility; only those that can be claimed as residential care facility fixed assets. Allowable basis is the portion of fixed assets used for the care of publicly-aided residents. Claimed deletions include retired, sold, written-off, damaged, and fully depreciated assets. If the facility runs other non-nursing or residential care programs, such as an adult day care program, the related fixed asset expenses must be NOT be reported on this schedule and the allocation methodology for allocating fixed asset expenses must be reported in the Footnotes and Explanations schedule.										
Table 1		1	2	3	4	5	6	7	8	9
Line #	Description	Allowable Cost Basis Beginning Balance	Claimed Additions	Claimed Deletions	Allowable Cost Basis Ending Balance	Depreciation %	Depreciation HCF-4	Non-Allowable Depreciation Expense	Add-Backs from HCF-2 RH if applicable	Claimed Net Depreciation Expense
1.1	Land HCF-4				0					
1.2	Land HCF-2				0					
1.3	Building HCF-4				0					0
1.4	Building HCF-2				0				-	0
1.5	Improvements HCF-4				0	5.00%				0
1.6	Improvements HCF-2				0	5.00%			-	0
1.7	Equipment HCF-4				0	10.00%				0
1.8	Equipment HCF-2				0	10.00%			-	0
1.9	Software/Limited Life Assets HCF-4				0	33.33%				0
1.10	Software/Limited Life Assets HCF-2				0	33.33%			-	0
100	Total Claimed Fixed Asset Depreciation Expense	0	0	0	0		0	0	0	0

Section 1: Cost Reports – HCF-4/HCF-2

- Mortgages and Notes Schedule
 - Contains tables for reporting all mortgages and notes payable, whether or not interest expense is incurred.
 - Mortgage and working capital debt info reported on this schedule are used in the calculation of facility fixed costs, which are part of the per diem rate calculations.

Section 1: Cost Reports – HCF-4/HCF-2

- Mortgages and Notes Schedule

SCHEDULE : MORTGAGES AND NOTES																				
<p>IMPORTANT NOTE: Report all mortgages and notes payable whether or not interest expense is incurred on this schedule. Each new note should be reported with all data fields completely filled in. New mortgages or enhancements of existing mortgages must be reported on a separate line. Total Mortgages and Notes as of December 31 and Total Expenses must match amounts reported on the Balance Sheet and the Profit or Loss schedules.</p>																				
Mortgages and Notes Supporting Fixed Assets																				
Table 1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Line #	Select Type of Notes Payable	Lender Name	Related Party Yes/No Selection	Date Mortgage Acquired	Due Date	Number of Months Amortized	Monthly Payments	Original Loan Amount	Mortgage Acquisition Costs	Amortization of Mortgage Acquisition Costs	Beginning Loan Balance: Jan 1	Beginning Balance - New Loans	Principal Payments	Pay Off Amount	Pay Off Date	Ending Loan Balance: Dec 31	Interest Rate %	Interest Expense	Period Expenses	Total Fixed Interest (Amortization, Interest and Period Expenses)
1.1																-				-
1.2																-				-
1.3																-				-
1.4																-				-
1.5																-				-
1.6																-				-
1.7																-				-
1.8																-				-
100	TOTALS								-	-						-		-	-	-

Section 1: Cost Reports – HCF-4/HCF-2

- Wages and Benefits Schedule
 - Contains tables for reporting data for persons employed as staff.
 - 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. As done in the rest of the cost report, data should be provided on the accrual method of accounting and should correspond to the values in the Profit Loss Schedule salary accounts.

Section 1: Cost Reports – HCF-4/HCF-2

■ Wages and Benefits Schedule

Detail of Staff, Hours, Salary, and Benefits by Position								
Table 1		1	2	3	4	5	6	7
Line #	Description	Number of FTE (Round to one decimal place)	Number of Staff (Round to one decimal place)	Total Hours (Round to one decimal place)	Total Salaries	Group Life/Health Benefits	Pensions	Other Benefits
1.1	Staff Development	00,000.0						
		7110.2	7210.2	7310.2	4306.1	7410.2	7510.2	7610.2
1.2	Maintenance Staff	00,000.0						
		7111.2	7211.2	7311.2	5105.1	7411.2	7511.2	7611.2
1.3	Dietary Staff	00,000.0						
		7112.2	7212.2	7312.2	5205.1	7412.2	7512.2	7612.2
1.4	Dietician	00,000.0						
		7113.2	7213.2	7313.2	5231.1	7413.2	7513.2	7613.2
1.5	Laundry Staff	00,000.0						
		7114.2	7214.2	7314.2	5310.1	7414.2	7514.2	7614.2
1.6	Housekeeping Staff	00,000.0						
		7115.2	7215.2	7315.2	5410.1	7415.2	7515.2	7615.2
1.7	Quality Assurance	00,000.0						
		7116.2	7216.2	7316.2	6504.1	7416.2	7516.2	7616.2
1.8	Community Support Coordinator	00,000.0						

Section 1: Cost Reports – HCF-4/HCF-2

- Footnotes Schedule
 - Used to provide detail to any of the information provided on the HCF-4/HCF-2 RH cost report that requires explanation.

SCHEDULE : FOOTNOTES AND EXPLANATIONS			
Table 1	1	2	3
Enter any footnotes, explanations or disagreement relating to this cost report in the space provided below by schedule. The Center relies on accurate reporting which is consistent with regulations, forms, instructions, and advisory rulings. Providers should report both actual and allowable costs and explain discrepancies. For your convenience, all lines in the cost report marked with ** are listed below. If you reported values on any of cost report lines marked with an **, you must provide an explanation on this schedule.			
Cost Report	Schedule Name	Line # / Line Name	Explanation
HCF-4	Balance Sheet	Line # 3.10/ Other	
HCF-4	Profit or Loss Schedule	Line # 1.15 /Endowment & Other Nonrecoverable Income	
HCF-4	Profit or Loss Schedule	Line # 2.20 /Employee Benefits - Pensions	
HCF-4	Profit or Loss Schedule	Lines # 1.5, 2.5, 3.5, 4.5/Veterans Administration and Other Public	
HCF-4	Profit or Loss Schedule	Line # 2.6/ Other Claimed Fixed Assets	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #3650.0/Other Income	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #9321.1/Clerical	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #9323.7/Other Expenses	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #9399.6/Total Other Administrative, Variable & DON Costs	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #9379.0/Miscellaneous	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #9391.0/Other Property Costs	
HCF-3 RH	Part III - Management Company Financial Information	Acct. #1980.0/Other	
HCF-4	General	Line #1.30/Report of unpaid workers expenses	
HCF-4	General	Line #1.31/Cost-splitting methodology for employees whose salaries are reported in more than one account.	
HCF-4	General	Line # 1.32/Details of accrued expenses not related to the current cost report period.	

Section 1: Cost Reports – HCF-4/HCF-2

- Certification Schedule
 - Certification by Preparer: Complete the preparer information on lines 1.1 through 1.11. Review the attestation on line 1.12 and check 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 Preparer (Other than Owner, Partner, or Officer)		
Table 1		1
1.1	Firm Name / Realty Company	
1.2	Preparer's Last Name	
1.3	Preparer's First Name	
1.4	Preparer's Middle Name	
1.5	Title	
1.6	Street Address	
1.7	City	
1.8	State	
1.9	Zip Code	
1.10	Phone Number	
1.11	Email Address	
1.12	<p>By checking this box and completing line 1.13, Date of Authorization, I hereby certify that I am the Preparer of this report noted above and I attest, to the best of my knowledge and belief, that this cost report is a true, correct, and complete statement. This report is subject to audit and verification by the Center for Health Information and Analysis.</p>	<input type="checkbox"/>
1.13	Date of Authorization:	

Section 1: Cost Reports – HCF-4/HCF-2

- 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.
 - HCF-2 serves the dual purpose of being a report to CHIA by the individual or business entity which owns the real property to accurately reflect the complete financial condition AND a claim for reimbursement.

Section 1: Cost Reports – HCF-4/HCF-2

■ HCF-2 RH Schedule

Table 1				
Income				
Line #	Account #	Description	Reported Amount	Explanation
1.1	3510.0	Residential Care Facility Rental Income		
1.2	3520.0	Other Rental Income		
1.3	3530.0	Other Income		
1.4	3540.0	Recoverable Fixed Asset Income		
100	3500.0	Total Income Reported	0	
Table 2				
Expenses				
Line #	Account #	Description	Reported Amount	Explanation
2.1	9540.0	Real Estate Taxes		
2.2	9540.5	Personal Property Taxes		
2.3	9545.0	Long Term Interest (Mortgages & Notes schedule)	0	
2.4	9545.5	Working Capital Interest (Mortgages & Notes schedule)	0	
2.5	9546.0	Interest on Late Payments, Penalties		
2.6	9547.0	Other Expenses **		Explain:
2.7	9550.0	Depreciation: Building		
2.8	9560.8	Depreciation: Improvements		
2.9	9570.0	Depreciation: Equipment		
2.10	9575.0	Depreciation: Software/Limited Life Assets		
2.11	9580.0	Insurance: Building, Building Improvements, Equipment		
2.12	9590.0	Other Operating Expenses		Explain:
200	9500.0	Total Expenses Reported	0	

Section 1: Cost Reports – HCF-3

- Resident care facilities that have a management or central office must file an HCF-3 cost report.
- Management fees are disallowed.
- Allowable costs of the management company/central office as allocated over the managed entities will be added to the reimbursement rate.
- Management company/central office expenses reported on the HCF-4 should be disclosed on both the HCF-4 and HCF-3.

Section 1: Cost Reports – HCF-3

Management Company/Central Office Name _____

Balance Sheet Date (MO-DA-YR) _____ 2024 HCF-3

SCHEDULE 2: STATEMENT OF PROFIT AND LOSS (For Year Ending December 31, 2024)

INCOME

Nursing Facilities	(3630.0)	_____	
Other (Attach Explanation)	(3650.0)	_____	
A & G Recoverable Income	(3650.4)	_____	
Variable Recoverable Income	(3650.5)	_____	
Director of Nurses Recoverable Income	(3650.2)	_____	
Fixed Recoverable Income	(3650.3)	_____	
<u>TOTAL INCOME</u>			(3600.0) _____

OPERATING EXPENSES

Administration Salaries			
Administration Salaries ³	A & G	(9312.1)	_____
Administrator-in-Training	A & G	(9313.1)	_____
Administrator	A & G	(9314.1)	_____
Total Administration Salaries			(9310.0) _____

Section 1: Financial Statements

- CHIA requires the submission of financial statements (balance sheet and statement of operations) via email at data@chiamass.gov.

Section 2: Rate Setting – Components

- Components for Rates eff. 12/1/25*
 - Rebase to 2023 cost reports
 - Preliminary Rate: Variable Costs per diem + Fixed Costs per Diem
 - DTA add-on
 - Minimum rate adjustment
 - RCC-Q adjustment
 - Resident Care add-on
 - Maximum increase adjustment

***Components for rates effective in subsequent years are subject to change.**

Section 2: Rate Setting – Example: Holding Harmless to Current Rate (\$107.53), and RCC-Q Adjustment

Component	Formula	Result
Preliminary Rate: Variable Cost per Diem + Fixed Costs per Diem	$\$69.74 + \4.73	\$74.47
Preliminary Rate + DTA Add-on	$\$74.47 + \4.72	\$79.19
Rate Decrease Calculation	$\$79.19 - \107.53	-\$28.34
Maximum Rate Decrease Adjustment*	$\$79.19 + \28.34	\$107.53
Minimum Rate Adjustment	N/A	N/A
RCC-Q Downward Adj. Calculation	$\$107.53 * -5\%$	-\$5.38
RCC-Q Rate Adjustment**	$\$107.53 - \5.38	\$102.15
Resident Care Add-on of \$0.89 (if no RCC-Q Adj.)	N/A	N/A
Maximum Rate Increase Cap Adj. (rate can't be higher than \$0.89 more than FY25 rate)	N/A	N/A
Final Proposed Rate		\$102.15

*For FY26 rates only, we are holding rates harmless if they are less than their FY25 rate.

**This provider received a -5% rate adjustment due to failing to be at or above the 80% RCC-Q threshold. The majority of rest homes are at or above the RCC-Q threshold so they will not see this rate reduction and instead will get the Resident Care Add-on of \$0.89 (see next slide).

Section 2: Rate Setting – Example: Proposed Rate Increase (current rate prior to proposed rate calculations is \$242.83)

Component	Formula	Result
Preliminary Rate: Variable Cost per Diem + Fixed Costs per Diem	$\$211.23 + 28.71$	\$239.94
Preliminary Rate + DTA Add-on	$\$239.94 + \4.97	\$244.91
Rate Decrease Calculation	N/A	N/A
Maximum Rate Decrease Adjustment*	N/A	N/A
Minimum Rate Adjustment	N/A	N/A
RCC-Q Downward Adj. Calculation	N/A	N/A
RCC-Q Rate Adjustment	N/A	N/A
Resident Care Add-on of \$0.89 (if no RCC-Q Adj.)	$\$244.91 + \0.89	\$245.80
Maximum Rate Increase Cap Adj. (rate can't be higher than \$0.89 more than FY25 rate, which is \$242.83)**	$\$245.80 - \2.08	\$243.72
Final Proposed Rate		\$243.72

*This facility's FY25 rate was \$242.83, which is less than the proposed preliminary FY26 rate. Therefore, there is no hold harmless adjustment ("Maximum Rate Decrease Adjustment").

**New rate cannot be more than \$0.89 higher than the FY25 rate due to the request from the industry to use available funding for the hold harmless adjustments for providers whose rates should have decreased based on their cost reports and inflation adjustments.

Section 2: Rate Setting – Preliminary Rate - Variable Costs

- Costs that change depending on volume of occupancy.
- A list of these costs are in the rate regulation.
- Variable Costs come from the Profit Loss schedule of the HCF-4/2 cost report.
- Rates do not include costs that are not reimbursable, as defined at 101 CMR 204.03(2)(c).
- Variable Costs per Diem calculated using the total utilization of the facility.
- In accordance with recommendation of the 2025 Rest Homes Task Force, eff. 12/1/25 an 87% occupancy standard (reduced from 90%) and 87th percentile cap (increased from 85th percentile) are placed on variable costs per diem, along with an inflation adjustment.

Section 2: Rate Setting – Preliminary Rate - Fixed Costs

- Allowable portion of fixed costs are listed in the rate regulation.
- Fixed costs come from the Claimed Fixed Assets, Mortgages & Notes, and HCF-2 RH tabs in the cost report.
- Indirect resident care costs, independent of the level of occupancy, that include the allowable portion of depreciation, long-term interest, real estate taxes, personal property taxes on resident care facility equipment, the non-income portion of the Massachusetts corporate excise tax, building insurance, and rental of equipment located at the facility.

Section 2: Rate Setting – Preliminary Rate - Fixed Costs (continued)

- Fixed Cost Calculation:
 - Historical (beginning) basis of Land, Building, Improvements, Equipment, and Software/Limited Life; plus or minus adds/deletions reported in cost report. The historical (beginning) basis is the construction and equipment costs of the assets, plus additions and minus deletions reported in cost reports.
 - CHIA then calculates the allowable depreciation for these assets in the year.
 - CHIA calculates the allowed interest expense by multiplying the average loan balance by interest rate (lesser of reported interest rate or Federal Hospital Insurance Trust Fund interest rate + 3%)
 - The allowed interest is then multiplied by the interest permanent factor to get final allowed interest.
 - Interest permanent factor represents the portion of debt that is associated with the care of residents.

Section 2: Rate Setting – Preliminary Rate - Fixed Costs (continued)

- Fixed Cost Calculation continued:
 - Total Fixed Costs = Allowable depreciation + allowed interest + the following expenses:
 - Corp. excise tax
 - Building Insurance
 - Real Estate Tax
 - Personal Property Tax
 - Other Fixed Costs
- Fixed Costs per Diem calculated as followed:
 - Allowable Fixed Costs minus fixed cost recoverable income, divided by the greater of:
 - 1) The number of total resident days in the year, and
 - 2) The number of total residents that reflects 90% occupation of the facility beds in the year.

Section 2: Rate Setting – DTA Days Percentage Adjustment

- DTA Days Percentage for each facility = DTA days divided by total resident days.
- For rates eff. 12/1/25, each facility receives this adjustment equal to \$5.39 multiplied by their DTA Days Percentage*.

***Components for rates effective in subsequent years are subject to change.**

Section 2: Rate Setting – Minimum Rate Adjustment

- New rate eff. 12/1/25 for each facility is equal to the greater of*:
 - Sum of the preliminary rate and the DTA Days Percentage Adjustment, and capping the maximum decrease at 0% relative to current rates, if applicable, or,
 - \$105

***Components for rates effective in subsequent years are subject to change.**

Section 2: Rate Setting – RCC-Q Adjustment

- The calculated RCC-Q adjustment, as described below, is now applied to the proposed rate, if applicable.
 - Resident Care Cost Quotient threshold currently at 80%.
 - Facility's rate is subject to a downward adjustment if the RCC-Q score is below the threshold.
 - RCC-Q score = certain resident care expenses divided by total revenue.
 - For every 1% below the 80% RCC-Q threshold, a 0.5% downward adjustment will be applied to the facility's rate.
 - Current max downward adjustment is 5%.
 - Rate after RCC-Q adjustment can be below \$105.

Section 2: Rate Setting – Resident Care Add-on Adjustment

- Facilities that do not receive RCC-Q downward adjustments will receive a resident care add-on adjustment of \$0.89 to the proposed rate effective 12/1/25*.

***Components for rates effective in subsequent years are subject to change.**

Section 2: Rate Setting – Maximum Rate Change Adjustment

- If the proposed rate exceeds the current rate effective November 30, 2025 plus \$0.89, the facility will receive a negative adjustment such that the new rate effective December 1, 2025 will be equal to the current rate effective November 30, 2025 plus \$0.89.

Section 2: Rate Setting – Annualization Adjustment

- For rates effective December 1 through December 31, 2025, apply an annualization adjustment of 196.77% of the difference between the new rate and the current rate, to cover the 61 days from October 1 through November 30, 2025.

Questions?

- If you have questions, please email costreports.LTCF@chiamass.gov with the following information in the subject line of your email:
 - Name of the agency with Vendor Payment Number (VPN)
 - Name of the cost report in question
 - Cost report reporting year
 - Subject Line Example: Question on CY2024 Resident Care Facility Cost Report – ABC agency, VPN# 1234567