North Carolina Department of Health and Human Services
Office of the Controller

Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

MAILING ADDRESS:
2019 Mail Service Center
Raleigh, NC 27699-2019

Laketha M. Miller, Controller

LOCATION:
1050 Umstead Drive
Raleigh, NC

April 18, 2007

To: Mental Health Providers and Associations

From: Laketha M. Miller *Laketha M. Miller*

Mark Benton, Senior Deputy Director/COO MTB.SK
Division of Medical Assistance

RE: 2007-2008 Mental Health Cost Report Requirements

For the past several weeks a workgroup with representatives from the DHHS Controller's Office, Division of Medical Assistance (DMA) and mental health associations have been working on the reporting requirements for providers to follow for the upcoming 2007-2008 Mental Health Cost Report. Out of these discussions the group identified key data which needs to be accumulated during the year to file the cost report. These data requirement items should be kept in mind as you set up your financial systems for fiscal year 2007-2008.

For fiscal year 2007-2008 **ALL** outpatient mental health providers will be required to file a cost report unless qualifying for an exemption. A list of exemptions from filing the mental health cost report will be forthcoming and posted to the DHHS Controller's Office website.

The largest piece of the cost report program involves capturing the hours worked by employees by service code and by other direct services. In addition to the cost reporting application for 2007-2008, a spreadsheet will be provided that will help convert the employee hours into Full Time Equivalents (FTEs). For this calculation, the following data must be captured:

- Actual wages paid to each employee during the year
- Employee benefits or percentage of benefits
- The annual hours worked by employee by specific service code(s)
- The annual hours by employee for "other direct time", for example leave, travel, training, updating records/documenting services and supervision of direct care employees
- Expense by department(s) or cost center(s) in which the employee worked

It is best that your accounting systems be revised prior to the start of the cost report year to capture this data. If you wait until after the year ends, you may find the information gathering rather burdensome.

The expenses for the mental health cost report are entered into the program as a total by department or cost center. The detail of your non payroll expenses is not required because that will be shown on your audit or financial statements which the Controller's Office reviews. Expenses for the cost report are categorized by Personnel Services (1xx), Supplies & Materials (2xx), Current Obligations & Services (3xx), Fixed Charges & Other (4xx), Capital Outlay (5xx), Contracts, Grants & Subs (6xx) and Transfers, Etc (8xx). There is a chart of accounts on our website that shows what type of expense goes into each expense line item. The name of the file is: "Guidelines to Distinguish between Admin and Direct Care Costs – spreadsheet." Providers can set up their expenses to match this or provide a crosswalk to show how expenses on their financial statements or audit are mapped into the cost report.

Lastly, for providers who do not already have their financial statements audited, Agreed Upon Procedures (AUPs) are being developed by DMA and will be available on the DHHS Controller's Office website when the cost reporting application is released. AUPs are a list of procedures that either a CPA or independent accountant must perform. AUPs are used as an attempt to minimize the audit cost incurred by the facility and at the same time help ensure the accuracy of the financial statements and cost reports. Audited financial statements or AUPs must be submitted with the cost report.

The DHHS Controller's website address is http://www.ncdhhs.gov/control/amh/amhauth.htm. Information will be posted here as it becomes available. If you should have any further questions, your main points of contact are: Susan Kesler at Susan.Kesler@ncmail.net or (919) 855-3680, or Mike Thompson at Mike.Thompson@ncmail.net or (919) 855-3681.

Cc:	Mike Moseley	Curtis Crouch
	Roger Barnes	Paul Cole
	Aydlett Hunike	Susan Kesler
	Christal Kelly	Mike Thompson