

Cost Report Tips and Tricks

Purpose

The purpose of this document is to provide additional information as well as tips and tricks for filling out the cost report. For technical guidance on how to fill out the cost report, review the “Provider Cost & Service Report User Guide” which is included in the cost report’s “Guidance” tab. The following areas are being discussed further below in this document:

1. Per Diem Calculations
2. Considerations for the Assumptions tab
3. Cost Category Summary

For questions or additional assistance, please contact the Rate Regulation accountant at 608-422-6385 or by email at bruce.flinn@wisconsin.gov or DCFCWLRateReg@wisconsin.gov.

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Per Diem Calculation Guidance

What is the purpose of this section?

This section is designed to demonstrate how the per diem amounts for individual cost lines are calculated, and the impact they will have on the overall calculated rate (overall per diem).

What is a per diem and why does it matter?

A per diem is the amount that a provider will be paid per day for person placed in their care. The amount is based on calculations for smaller per diem amounts based on cost categories and the type of expenses incurred.

What are cost categories?

These are the broad categories that expenses are grouped into. The cost categories can be found in the "Rate Calc" tab of the cost report. Examples of the categories are Plant and Property, Direct Care, Therapy, etc.

What are the different types of costs?

Cost types identifies how a cost is incurred. This relates to whether the cost generally will fluctuate based on the number of placements are in your care and fall in to three types.

- 1) Fixed – Fixed Costs are usually fixed for a period of a year or longer and cannot be changed or cancelled during the current fiscal period. They usually stay the same (or close) from month to month regardless of the number of clients served. An example is rent.
- 2) Variable – Variable Costs will usually fluctuate in amount from month to month depending upon the number of clients served. They usually can be changed or cancelled easily during the current fiscal period. An example is food/groceries.
- 3) Semi Variable – Semi-Variable Costs generally have both a Fixed and Variable component to them in which there may be a part that cannot be changed or cancelled easily during the current fiscal year or the amount may fluctuate based upon the number of clients served but there is a long lead time of several months for the amounts to be changed. An example could be legal fees where you pay an initial retainer that is non-refundable, but then may pay additional amounts based on the services required.

What makes calculating a cost categories per diem difficult?

Each cost category generally has items that are fixed, variable, and semi-variable costs. Each expense type needs to be calculated individually and then rolled up to the categories included in the "Rate Calc" tab of the Cost Report. The attached document shows which costs get included for each cost category and the type of expense it includes.

What information is used in completing the calculations?

The following information is used to complete most per diem calculations.

- Licensed Capacity (LC) – Entered in Verification tab, line 3.
- Program Staffed Beds (PSB) – Entered in Verification tab, line 4
- Average Daily Placements (ADP) – Calculated in Verification tab, line 7
- Number of Days in Year – 365 or 366. Remember this is for the year being entered into the cost report, not the current year. For example, 2020 was a leap year so would be 366.
- Direct Care staffing ratios (for direct care calculations only)
- Supervision staffing ratios (for supervision calculations only)

How are per diem calculations completed?

The table below documents how the calculations work for each type of cost except for direct care and supervision. Those calculations need to incorporate staffing ratio requirements. Explanations for how direct care and supervision per diems are calculated are included on the next page.

Type of Expense	Non-Personnel Costs	Personnel Costs ¹
Fixed	Cost / LC / Days in Year	Cost / LC / Days in Year
Variable	Cost / ADP / Days in Year	Cost / ADP / Days in Year
Semi	Cost / ((LC / ADP) / 2) / Days in Year	Cost / PSB / Days in Year

- 1) This does not directly work for areas (direct care and supervision) where staffing ratio need to be taken into consideration to determine the per diem. That calculation can be seen on the next page.

Direct Care and Supervision

Step Number	Step Purpose	Calculation
1	Number of Full Time Positions	Total Number of Hours ² / 2080 ³
2	Average Annual Wage for One Position	Wages for the year ² / Number of Full-Time Positions (Step 1)
3	Position Cost per Day	Ave Annual Wage (Step 2) / 260 ⁴
4	Position Cost per Placement	Position Cost per Day (Step 3) / Staffing Ratio
5	Repeat	Repeat steps 1 through 4 for each shift using the appropriate staffing ratio
6	Daily per Diem	Add the per diem calculated for each shift to come to the total per diem.

- 2) Only wages and hours that were for meeting staffing ratios. For example, if time was charged to orientation/training, those hours should not be included.
 - a. If you have multiple programs, you will need to include amounts for each program separately as well as those that are not assigned to a specific program.
- 3) Number of hours for a full-time staff (52 weeks * 40 hours)
- 4) Number of workdays for full time staff (52*5)
- 5) CPA’s do not work perfectly as they are not staffed 24/7. School-time ratio is meant to account for on-call hours instead of staffed hours. This ration is currently doubled to accomplish this.

What other items can impact the calculation for direct care and supervisory per diems?

When entering personnel items, it is important to only include staff time and hours that are related to providing this care. From this perspective, it should only include their time that involves covering time related to the reported staffing ratios. For example, staff involved in orientation or training activities, may not be providing coverage and responsible for the clients at the facility. See the “Jobs” tab of the cost report for position descriptions and information about whether the position is incorporated in the calculation for the direct care or supervision per diems.

It is permitted to split staff time to multiple lines to account for time that is for direct care/supervision and for time that is for other responsibilities.

What are the direct care and supervision staffing coverage percentages (aka “% of reported hours to expected hours” on Personnel tab), and what is the impact they have on per diem calculations?

These staffing coverage numbers document the percent of coverage reported taking into account the staffing ratios the provider reported and the number of placements occurred during the year. These numbers provide support for the ratios that are reported if they are to be used in calculating the per diems for direct care and supervision. Only the hours that are reported to a primary job category that is attributable to direct care or supervision will be counted. The “Jobs” tab contains a listing of the primary job categories and whether they relate to direct care or supervision staffing coverage.

For example, a coverage percentage of 100% indicates that based on the provider entered ratios, the reported hours for staff providing coverage in the Personnel tab are 100% of the hours needed based on the number of placement days reported. For a coverage percentage of 50%, it indicates that staff providing coverage were below what was determined for the number of placement days reported.

It is not expected that the coverage numbers will be exactly 100% as the staffing ratios should reflect your operation strategy. These numbers are used as a high-level assessment to see if the ratios determined are reasonable.

Assumption Tab Considerations

The cost report uses data from the previously completed, audited year. Because of this, it means we are setting rates for next year starting with last year's data which could be incomplete if we stopped there. There are two ways the rate setting process accounts for the fact that yesterday's costs may not fully predict tomorrow's including:

1. The Cost-of-Living Adjustment - The cost report includes a cost-of-living adjustment to adjust costs from the period being reported to the year that the new rate will be effective. However, this may not be adequate.
2. The Assumptions tab – The assumption tab is a place for providers to include details including anticipated future expenses that are not in the previous year's cost report expenses. We have included some further considerations below of common items that have been included in the assumptions tab.

Additionally, these costs may have an impact on the Max Rates that are determined each year. Assumptions that are accepted during the review process will be incorporated and included in costs when determining the max rate. If we don't know about these costs up front, we cannot consider them for setting the max rate. This may result in a lower max rate being set for the year.

The following are common items to consider as you fill out the Assumptions tab.

3. New/Vacant Positions – If you have position(s) that is/are unfilled, it is important to include what the intended salary/hourly wage would be.
 - a. For positions, be as specific as you can for how much they will work (i.e. full-time, half-time, etc). This can have a big impact on calculations for those that fall under the direct care and supervisor categories.
 - b. This would also be for a position that is not currently drawing a salary (notably for owners of new providers).
4. Wage Adjustments – Are you intending to give a competitiveness wage adjustment to staff?
 - a. When entering wage adjustments, consider the impact on an hourly basis or provide the intended effect (i.e., \$3 per hour wage increase or \$20 per hour wage). It is often discovered that a lump sum number provided is drastically below what the desired impact is intended to be. For a full-time position, 2080 hours is the standard number of hours in a year.
5. Staff Responsibilities – Consider the responsibilities of staff and whether their wages/time should be split to more than one classification. This may help better reflect actual costs.
 - a. The most noted position during negotiations is the owner/director having supervisory or direct care responsibilities. This may help if the organization is exceeding the max rate in certain categories, but not others.
6. Think about unusual purchases you will/may need to make in the upcoming year. Especially if they are a known purchase, these can be included as assumptions for consideration.
7. For expenses that are capital expenses and need to be depreciated, such as vehicle purchases or building improvements, the costs will be lower than reported. This is based on the useful life of the item being purchased. For example, a vehicle will generally be depreciated for 5 years.

Finally, all assumptions will be reviewed and considered for inclusion into the cost report. We may exclude items, for example if we repeatedly see an assumption that we now expect to be included in your cost report. During the rate setting process, you can ask for a copy of your cost report with the assumptions incorporated to see the decisions and impact if it has not been provided to you.

Cost Category Summary

*Line refers to the numbers in column A of a tab

**Cell or row refers to the spreadsheet row/columns

Component	What's Included	Cost Type	Where Found
Plant & Property	Mortgage	Fixed	Prop & Trans, Line 1A
	Rent/Lease	Fixed	Prop & Trans, Line 1B
	Building Insurance	Fixed	Prop & Trans, Line 1C
	Utilities (Electric, Gas, Water, Sewer, Trash Removal)	Semi	Prop & Trans, Line 1D
	Real Estate/Property Taxes	Fixed	Prop & Trans, Line 1E
	Leasehold/Building Improvements	Fixed	Prop & Trans, Line 1F
	Repairs and Maintenance - Building Only Non Capitalizable Cost Only	Semi	Prop & Trans, Line 1G
	Licenses, Permits & Building Inspections	Fixed	Prop & Trans, Line 1H
	Landscaping & Lawn Care & Snow Removal	Fixed	Prop & Trans, Line 1I
	Security System	Fixed	Prop & Trans, Line 1J
	Other/Miscellaneous Specify (Property/Plant)	Depends on Specifics	Prop & Trans, Line 1L
	Furniture & Equipment Purchases	Fixed	Prop & Trans, Line 3A
	Repairs & Maintenance - Furniture & Equipment Only	Semi	Prop & Trans, Line 3B
	Furniture & Equipment Lease / Rental	Fixed	Prop & Trans, Line 3C
	Furniture & Equipment Insurance	Fixed	Prop & Trans, Line 3D
	Other/Miscellaneous (Specify) - Furniture and Equipment	Depends on Specifics	Prop & Trans, Line 3F
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
-Maintenance Supervisor -Maintenance Worker	Fixed	Personnel, cell AM10	
Board & Incidentals	Children - Allowances/ Clothing/ Gifts/ Incidentals/ Personal Care	Variable	Consumable, Line 10
	Food & Beverage (Restaurants) (Dietary Supplies)	Variable	Consumable, Line 17
	Laundry & Housekeeping	Semi	Consumable, Line 20
	Services - Household Resources (Janitorial)	Semi	Consumable, Line 31
	Supplies - Household & Janitorial	Semi	Consumable, Line 42
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Food Service Manager/Director -Housekeeping Supervisor -Cook -Housekeeping Worker -Janitorial & Custodial Worker -Food Service Related Workers - All Other	Semi	Personnel, cell AM5

Component	What's Included	Cost Type	Where Found
Administrative Consumables	Advertising / Marketing For Staff Recruitment	Semi	Consumables, Line 7
	Audit Fees	Fixed	Consumables, Line 8
	Bank / Accounting / Legal Fees	Fixed	Consumables, Line 9
	Employee Screening / Background Checks / Recruitment	Semi	Consumables, Line 16
	Licenses, Fees & Permits	Fixed	Consumables, Line 22
	Postage & Freight	Semi	Consumables, Line 25
	Printing	Semi	Consumables, Line 26
	Professional Dues, Subscriptions, etc...	Fixed	Consumables, Line 27
	Services - Professional	Semi	Consumables, Line 33
	Staff Meals While On Duty	Semi	Consumables, Line 37
	Supplies - Computers & Peripherals	Semi	Consumables, Line 39
	Supplies - Office & Operating	Semi	Consumables, Line 44
	Telephone / Internet / Cable / Satellite / Pager / Fax	Semi	Consumables, Line 46
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
No Current positions classified as Admin Consumables	N/A	Personnel, cell AM3	
Programmatic Consumables	Contact Services (These Costs Relate To Expenses For Child - Parent Visitations.)	Variable	Consumables, Line 15
	Supplies - Program, Vocational, Recreational, Crafts, Infant	Variable	Consumables, Line 45
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Program Director/Manager/Coordinator - Agency Director -Admissions Director/Manager -Admission Coordinator/Specialist -Licensing Specialist -Community Outreach Specialist -Group Home Manager / Supervisor/House Parent	Fixed	Personnel, cell AM11
Insurance	Liability Insurance	Fixed	Consumables, Line 21
	Worker's Compensation Insurance	Semi	Consumables, Line 48
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49

Component	What's Included	Cost Type	Where Found
Depreciation	Depreciation - Building Only (Straight Line Method Allowable)	Fixed	Prop & Trans, Line 1K
	Depreciation - Vehicle (Straight Line Method Allowable)	Fixed	Prop & Trans, Line 2J
	Depreciation - Furniture & Equipment Only (Straight Line Method Allowable)	Fixed	Prop & Trans, Line 3E
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
Direct Care	-Resident Care Worker -Case Manager/Social Worker -Intake Worker/Coordinator	Variable	Personnel, cell AM6
Supervisor Staffing	-Case Manager/Social Worker - Supervisor/Director -Supervisor of Resident Care Worker	Variable	Personnel, cell AM12
Training	Training / Development / Conference / Convention Costs	Semi	Consumables, Line 47
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Direct Care and Supervision Orientation/Training	Fixed	Personnel, cell AM14
Transportation	Vehicle Purchases - Below \$5,000 Each If amount indicated exceeds \$5,000 provide a detailed list of purchases.	Fixed	Prop & Trans, Line 2A
	Purchased Transportation For Clients (Taxi Fees, Bus Fare, Contracted Services Etc...)	Variable	Prop & Trans, Line 2C
	Agency Vehicle Operating & Maintenance Cost (Gas, Oil, Repair, Maint, Etc...)	Semi	Prop & Trans, Line 2D
	Agency Vehicle Insurance, License & Registration	Fixed	Prop & Trans, Line 2E
	Transportation Lease / Rental	Fixed	Prop & Trans, Line 2F
	Staff Mileage Reimbursement	Semi	Prop & Trans, Line 2G
	Other / Miscellaneous (Specify) - Travel Costs	Depends on Specifics	Prop & Trans, Line 2K
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Driver/Chauffeur	Semi	Personnel, cell AM15
Recreation/Milieu	Activities/Outings/Recreation For Children	Variable	Consumables, Line 3
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Recreation/Activity-Coordinator /Director	Semi	Personnel, cell AM9

Component	What's Included	Cost Type	Where Found
Foster Parent Training	Foster Parent Recruitment & Training	Semi	Consumables, Line 18
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
Foster Parent Respite	Foster Parent Respite	Variable	Consumables, Line 19
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
Therapy/Therapeutic Milieu	Services - Psychiatric	Variable	Consumables, Line 34
	Services - Purchased Clinical (Speech, Hearing, Occupational & Physical Therapies)	Variable	Consumables, Line 35
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Therapist -Psychiatrist -Counselors - All Other	Semi	Personnel, cell AM13
Education	Services - Educational (i.e. Tutoring)	Variable	Consumables, Line 29
	Supplies - Children's School	Variable	Consumables, Line 38
	Supplies - Educational	Variable	Consumables, Line 40
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Principal/Director -School Teacher -Teacher's Aide -Administrators - Education -Education Workers - All Other	Semi	Personnel, cell AM7
Medical	Services - Health & Dental Needs Assessments / Resources	Variable	Consumables, Line 30
	Supplies-Health & First Aid (Medical & Drugs)	Variable	Consumables, Line 41
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-Licensed Practitioner or Vocational Nurse (LPN or LVN) -Medical Assistant/Technician -Registered Nurse (RN) -Health Practitioner - All Other	Semi	Personnel, cell AM8

Component	What's Included	Cost Type	Where Found
Administrative Overhead	Administrative Allocation - Clarify in Assumptions Tab (Providers With A Parent Entity Pushing Down Costs)	Fixed	Consumables, Line 4
	Administrative Allocation - Clarify in Assumptions Tab (Providers With A Parent Entity Pushing Down Costs)	Semi	Consumables, Line 5
	Administrative Allocation - Clarify in Assumptions Tab (Providers With A Parent Entity Pushing Down Costs)	Variable	Consumables, Line 6
	Payroll Processing & Benefit Admin Fees	Semi	Consumables, Line 24
	Self-Funded Health Insurance Expenses	Semi	Consumables, Line 28
	Allowable Reserves / Profit	Fixed	Consumables, Line 51
	Services (Other Outside (Specify))	Depends on Specifics	Consumables, Line 32
	Other / Miscellaneous (Specify)	Depends on Specifics	Consumables, Line 49
	-CEO/President-Chief Operating Officer-Chief Financial Officer-IT Director-Admin Manager/Supervisor/Coordinator-Comp & Benefits Manager/Director-HR Manager/Director-Office Manager-IT Specialist/System & Security Analyst/Network Architect-Accounting Director/Manager-Accounting Staff-HR Specialist-HR Assistants & All Other-Foster Care Trainer/Recruiter/Licensor-Administrative Assistant-Other Clerical-Clerical - All Other	Fixed	Personnel, cell AM4