



OPERATIONAL MEMO

Title: Nursing Facility Financial Transparency Reporting Requirements	Topic: Long Term Care
Audience: Medicaid Certified Nursing Facilities	Sub-Topic: Provider Guidance
Supersedes Number:	Division: Benefits and Services Management
Effective Date: Jul. 1, 2025	Office: Office of Community Living
Expiration Date: Jul. 1, 2027	Program Area: Complex & Supportive Services
Key Words: Nursing Facility, Financial Transparency, Audited Financial Statement, Managing Entity, Ownership	
Legal Authority: HB 23-1228, CRS 25.5-6-202(13), 10 CCR 2502-10, Section 8.450	
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Operational Memo Definition:

Medicaid Certified Nursing facilities annual audited financial requirements and additional information to provide for the purposes of transparency and to ensure sound fiscal stewardship in reimbursement policy.

Purpose and Audience:

The purpose of this Operational Memo is to provide nursing facilities with the requirements and additional information from HB 23-1228. Nursing facilities are required to provide annual financial reporting for the purposes of transparency and to ensure sound fiscal stewardship in reimbursement policy. Therefore, the rules at 10 CCR 2505-10, Section 8.450 were added to implement these requirements.

Information:

Beginning with cost reports submitted during State Fiscal Year 2025, all Medicaid certified nursing facilities must provide the following documentation.

Audited financial statements must be provided for each nursing facility and management entity, including management companies, home office or back-office entities, directly or indirectly accepting Medicaid funds in Colorado.

For any organization or company operating or managing multiple facilities within Colorado an audited consolidated financial statement is required. Consolidated financial statements must include a supplemental schedule that specifies facility level income statement data as well as statements from the managing entity (including management companies, home office or back-office entities). The revenue and expense stated on the supplemental schedule for each facility must reconcile to the MED-13.

Schedule F requirements:

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Schedule F: Owners & Related Organizations Services & Supplies

Colorado MED-13 Medicaid Cost Report
Version 2024

☐ Nothing to report on Schedule F. Validate blank schedule.

1 Line #	Related Party Transaction				Related Party Vendor			Individual & Organization	
	2 Nature Of Related Party Transaction	3 G/L S Amount	4 G/L Account Number	5 Sch C Line #	6 Related Vendor/ Individual Name	7 % Ownership Of Facility	8 Code *	9 Related Vendor Organization	10 % Ownership Of Organization
1		0				0%			0%
2		0				0%			0%
3		0				0%			0%
4		0				0%			0%
5		0				0%			0%
6		0				0%			0%
7		0				0%			0%
8		0				0%			0%
9		0				0%			0%
10		0				0%			0%
11		0				0%			0%
12		0				0%			0%
13		0				0%			0%
14		0				0%			0%
15		0				0%			0%
16		0				0%			0%
17		0				0%			0%
18		0				0%			0%
19		0				0%			0%
20		0				0%			0%

Complete this form if there are expenses included on Schedule C which resulted from transactions with related individuals or organizations.

* Codes - Use the following codes to indicate the interrelationship of the nursing home to related organizations:

- A Individual has financial interest (stockholder, partner, etc.) in both related organization and in nursing home.
- B Corporation, partnership, or other organization has financial interest in nursing home.
- C Nursing home has financial interest in corporation, partnership, or other organization.
- D Director, officer, administrator, or key person of nursing home, or relative of such person, has financial interest in related organization.
- E Director, officer, administrator, or key person of related organization, or relative of such person, has financial interest in nursing home.
- F Individual is director, officer, administrator, or key person of both nursing home and related organization.
- G Other

SCHEDULE F - OWNERS & RELATED ORGANIZATIONS SERVICES & SUPPLIES

All related-party transactions must be summarized on this schedule. Medicaid and Medicare rules explain what constitutes a related party and how this affects reimbursable costs. In general, “related to the provider” means that the provider, to a significant extent, is associated or affiliated with, or has control of, or is controlled by, the organization furnishing the services, facilities, supplies, etc. Further, costs applicable to services, facilities and supplies furnished to the provider by organizations related to the provider by common ownership or control are includable in the allowable costs of the provider at the cost to the related party. Such cost must not exceed the price of comparable services, facilities or supplies that could be purchased elsewhere.

All related party adjustments should be recorded via Schedule B, Part 1.

Column 2 - Nature of Related Party Transaction: Describe the supplies or services received from the related party.

Column 3 - G/L \$ Amount: The dollar amount of the related party transaction reported in the general ledger. The amount reported on Schedule F should not be reduced by Schedule B, Part 1 adjustments.

Column 4 - G/L Account Number: Enter the general ledger account number(s) where the dollar amount in Column 3 is included.

Column 5 - Schedule C Line #: Enter the Schedule C line number(s) where the dollar amount in Column 3 is included.

Columns 6 and 7 - Related Vendor/Individual Name and % Ownership of Facility: List the name of the vendor or individual furnishing the related party supplies or services, along with the percentage ownership of the nursing facility.

Column 8 - Code: Identify, by using the appropriate code, the nature of interrelationship of the nursing facility and the related party.

Columns 9 and 10 - Related Organization and % Ownership of Organization: Complete if the related vendor/individual is related to the nursing facility through another person or entity. List the name of the related person or entity and percentage of ownership.

Should the managing entity not have common ownership with all individual facilities under its management, any combination of documents from the previous two paragraphs that is necessary to include all applicable nursing facilities and managing entities should be submitted. Yearly facility and managing entity audit dates may differ based on their specific entity's fiscal year end.

A disclosure is required of all nursing facility ownership or affiliation with other corporations, foundations, etc., including an explanation of the type or relationship for each facility operator, management entity and real estate investment trust (REIT) associated with each facility accepting Medicaid funds.

Identification of all related parties engaged in a financial transaction with the nursing facility or management entity is required, along with the sum of all annual transactions.

At its discretion, the Department may require:

1. Details and/or documentation on transactions between related parties.
2. Additional audited financial statements for related parties determined to be of material value in transaction volume.
3. Individual ownership details of any corporate level ownership provided as part of disclosures required in this section.

The Department will allow for the waiver of certain requirements at its discretion. Waivers should be limited in duration and will only be granted based on atypical or unexpected occurrences that prevent the facility from meeting all compliance requirements. To receive a waiver, the facility or management entity must:

1. Provide evidence of a good faith effort to comply with all applicable transparency requirements.
2. Identify and explain the specific requirement requested to be waived.
3. Provide a timeline in which full compliance can be regained.
4. Submit compliance documentation to the greatest extent possible to meet the intent of the requirement in lieu of the item being waived (i.e. submission of reviewed financial statement in lieu of audited financial statements).

For SFY 2025 only, the Department will accept reviewed financial statements instead of audited financial statements.

Action To Be Taken:

The audited (consolidated) financial statements must be included with the MED-13 cost reporting process as already established by rule.

Definition(s):

1. Audited financial statements: A financial statement audit is an examination of a company's financial statements by an independent auditor with an opinion signed by a Certified Public Accountant (CPA).
2. Managing entity: Managing entity is used to denote any entity that provides administrative or management support to one facility or a group of facilities. This includes management companies, home offices or back-offices, central offices, and parent organizations.
3. Common ownership means that an individual or individuals directly or indirectly possess a (5% or more) ownership interest, as defined in 10 CCR 2505-10 section 8.441.5.B, in the nursing facility and the institution or organization serving the nursing facility.
4. Control means that an individual or an organization has common ownership with or is related to another organization or institution, or has the power, direction or indirectly, to influence significantly or to direct the actions or policies of another organization or an institution.

Attachment(s):

Copy of wording from HB 23-1228; CRS 25.5-6-202, Section 13 and 10 CCR 2505-10, Section 8.450, Version of HB 23-1228 with sections highlighted

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