

# START-UP CONTRACTING GUIDELINES FOR PROVIDERS

Updated: April 2026

## Table of Contents

<b>1.0 Start-Up Funds</b> .....	<b>2</b>
1.1 Start-Up Contract Structure .....	2
1.2 Replacement Costs or Costs Incurred After the Site Has Opened .....	2
<b>2.0 Start-Up Process</b> .....	<b>3</b>
2.1 Contracting.....	3
2.2 Reimbursement.....	3
<b>3.0 Specific Requirements for Non-Capital Purchases</b> .....	<b>4</b>
3.1 Staffing Expenses .....	4
3.2 Training Expenses.....	5
3.3 Assessments, Consultation and Mileage Expenses.....	5
3.4 Common Space Furniture, Appliances, Furnishings, and Medical Storage (non-capital).....	6
<b>4.0 Specific Requirements for Capital Purchases</b> .....	<b>7</b>
4.1 Definition of Capital Asset .....	7
4.2 Key Elements of Capital Asset Definition.....	8
A. Asset or Group of Assets .....	8
B. Useful Life of More than One Year .....	8
C. Provider Capitalization Level .....	8
D. Moveable Assets .....	8
4.3 Open and Free Procurement.....	9
4.4 Inventory Requirement .....	9
4.5 Disposition Requirements .....	9
<b>Appendix A – ALTR Program Allowable/Disallowable Costs</b> .....	<b>10</b>
<b>Appendix B – CBDS Program Allowable/Disallowable Costs</b> .....	<b>12</b>

## **1.0 Start-Up Funds**

Qualified providers opening an Adult Long Term Residential (ALTR) home or a Community Based Day Supports (CBDS) site may request funding for start-up costs. These costs may include Capital items. Start-up contracts are available for: 1) ALTR Programs that will incur costs for a new site before individuals have moved into the site, or 2) CBDS Programs opening a new site that have costs before the site opens.

The Department cannot reimburse a provider for any costs incurred *prior* to the finalization of fully executed contracts for either non-capital or capital expenses. The combined funding limit for non-capital and capital costs for an ALTR program is \$125,000 and a CBDS program is \$60,000. For more details about what costs are allowable and disallowable, by program, providers should refer to:

- [Appendix A: ALTR Programs](#)
- [Appendix B: CBDS Programs](#)

### **1.1 Start-Up Contract Structure**

The Provider will be required to sign a Standard Contract Form (SCF) for each purchase type (non-capital, capital). For non-capital expenses, the provider must complete Attachment 1 (Program Cover Page) and Attachment 3 (Fiscal Year Program Budget) to execute the contract. The purchase of capital items requires Attachment 1 and Attachment 6 (Capital Budget).

DDS will not combine multiple program sites under a single contract for either non-capital or capital costs.

Start-up contracts can be issued for up to three (3) months in length. These contracts can be extended to six (6) months, without an increase in funding, with written Regional Director approval if a provider experiences a delay in opening the site. Any extensions beyond six (6) months require the approval of the Department's Central Office Contracts Unit.

### **1.2 Replacement Costs or Costs Incurred After the Site Has Opened**

Once the site is operational, any replacement costs are not appropriate for a start-up contract. Ongoing replacement costs are either included in the group home occupancy rate or the CBDS rate. In limited cases, the Department may decide to cover the cost of a specialized piece of equipment for a specific individual. This type of purchase is not governed by this policy and is to be made in accordance with guidance released by DDS concerning financial assistance.

## 2.0 Start-Up Process

### 2.1 Contracting

1. Provider submits a complete Start-Up Expense Proposal Worksheet for the appropriate service (ALTR vs CDDBS) to the Area Office. The Start-Up Expense Proposal Worksheets can be found on the [DDS/POS Contracts website](#).
  - a. When completing the form, specific submission requirements per type of purchase can be found in the following sections:
    - i. [Staffing Expenses](#)
    - ii. [Training Expenses](#)
    - iii. [Assessments, Consultation and Mileage Expenses](#)
    - iv. [Common Space Furniture, Appliances, Furnishings, and Medical Storage](#)
    - v. [Moveable Assets/Capital Items](#)
2. Area Office and Regional Contracts Office review the request to ensure the items are appropriate for a new site start-up contract and necessary for the operation of the program. The review ensures that expenses are allowable costs and correctly characterized as either as non-capital or capital purchase.
  - a. For each capital items to be purchased, it is recommended that a provider seek three bids. More details can be found [below](#). The Department may ask for bid information during this review process to ensure that best value is being provided.
3. The Department will reply in writing to the provider as to whether the request is accepted in whole or in part. If the request is accepted in part, the Regional Contracts Office will ask for an updated Worksheet to match the approved expenses.
4. The provider prepares and submits start-up contract documents (SCF, Attachment 1, Attachment 3/6) to the Regional Contracts Office for signature.
5. Once the contract is fully executed (signed by provider and DDS), the provider may incur expenses and purchase items in a manner consistent with the approved proposal worksheet and subsequent contract.

### 2.2 Reimbursement

1. Providers may submit for reimbursement as needed during the term of the contract or all at once at the conclusion of the contract. All invoice submissions must be submitted within fifteen (15) business days of the end date of the contract.
  - a. Costs incurred in a start-up contract must happen within the timeframe of the contract.
    - i. For contracts that span multiple fiscal years, items must be billed to the fiscal year in which they are delivered, not the date when items were ordered/purchased. Providers must submit an invoice within fifteen (15) business days of the end of the fiscal year to complete billing for **all**

reimbursable expenses from the closing fiscal year. DDS may disallow billing for prior year purchases not invoiced by this deadline.

- b. Goods must be delivered before the first person moves in (ALTR) or the site opens (CBDS).
2. Provider submits invoice(s) for payment through EIM.
3. For each EIM invoice, the provider submits a completed Start-Up Invoice Workbook to the Regional Contract Office.
  - a. If multiple invoices for a single contract are submitted, each should be submitted using a new Start-Up Invoice Workbook and not include the previous submission details.
    - i. For example, if invoice #1 was for training expenses and invoice #2 is for common space furniture, the workbook for #2 would not include training expenses found in workbook #1. It would only include the furniture costs.
4. Provider submits detailed descriptions of purchases and, when required, receipts/invoice or other associated proof of payment/ with the Start-Up Invoice Workbook to the Regional Contract Office. For specific submission requirements per type of purchase, please refer to the following sections:
  - i. [Staffing Expenses](#)
  - ii. [Training Expenses](#)
  - iii. [Assessments, Consultation and Mileage Expenses](#)
  - iv. [Common Space Furniture, Appliances, Furnishings, and Medical Storage](#)
  - v. [Moveable Assets/Capital Items](#)
5. Invoice workbooks will be reviewed by the Regional Contracts Office to ensure compliance with this policy prior to payment being approved.
  - a. If a provider submits reimbursement requests that total exactly the ALTR/CBDS funding limit (\$125,000/\$60,000), the provider must also submit a supplemental written explanation with the Start-up Invoice Workbook and other documentation, as required.

### **3.0 Specific Requirements for Non-Capital Purchases**

#### **3.1 Staffing Expenses**

Eligible expenses for a new site prior to its opening may include staffing assigned to the site. Allowable expenses include, but are not limited to, house manager and direct care staff involved in site set up, medical staff assessments, time to attend trainings (all trainings, including provider orientations and other trainings beyond DDS minimum requirements), and other wage expenses associated with hiring staff prior to site opening.

When reporting staffing expenses for reimbursement, providers must report payroll for each employee on a separate line. Employees must be named with a brief description of activities employees were engaged in during the start-up period. Payroll expenses may be reported fully loaded including base payroll, taxes and fringe. Payroll expenses for multiple employees cannot be combined in a single line in the Start-Up Expense Worksheet.

### **3.2 Training Expenses**

Training expenses include all the non-staff costs related to training prior to the opening of the site. This may include expenses such as registration fees, trainer costs, and materials.

Providers submitting training expenses for reimbursement must include details such as the title of the training, length of training, and how many staff directly assigned to the opening program were in attendance and are being billed for.

### **3.3 Assessments, Consultation and Mileage Expenses**

Expenses for clinical or medical assessments, consultations, and mileage for staff related to the start-up of the site may also be reimbursable. The provider should provide details related to these costs, such as who might be providing the assessment or consultation, how long the assessment/consultation might take, and how much the unit cost is. When estimating staff mileage, the calculation and subsequent reimbursement request cannot exceed the Commonwealth's mileage reimbursement to state employees, currently set at \$0.62 per mile, regardless of whether the provider reimburses mileage at a higher rate.

When completing the Start-Up Invoice Workbook for assessment and consultation, providers must provide enough details to support the reimbursement of the expense. If the expense exceeds \$500, the provider must submit an invoice with the Start-Up Invoice Workbook. When submitting staff mileage for reimbursement, mileage may be entered in aggregate as long as a detailed explanation of the need for travel as it related to the opening of the new program site is included.

### **3.4 Common Space Furniture, Appliances, Furnishings, and Medical Storage (non-capital)**

Providers looking to obtain start-up funds for these items must include estimated costs and be specific on the Start-Up Expense Proposal Worksheet. Items must be listed individually and can include items such as but not limited to couches, chairs, medical storage unit, bed and bath linens (ALTR only), window treatments (ALTR only), and other such expenses. Appliances may be purchased for both programs but for CBDS, these items can only be purchased for skill building for individuals. Purchases of basic supplies (ex. cleaning products, paper towels, etc.) or other disposable products may only include supplies necessary for use during the start-up period and may not be purchased in bulk for use after the program is operational. For ALTR, moving expenses directly related to moving individuals into the new site may also be included. For CBDS, computer equipment, such a monitor, printer, etc., can be purchased but only for individuals to improve and develop skills and not for staff use.

For all types of purchases providers should take into consideration best value purchasing principles, seeking reasonably priced items that meet standards for quality and durability relevant to operation of intellectual and developmental disability programs. In reviewing start-up proposals, DDS may request additional justification for items appearing to be excessively priced.

When submitting for reimbursement, each receipt/invoice can be entered in the Start-Up Invoice Workbook as a single line and must include a summary of the items purchased in a reasonable concise way.

Single receipts/invoices that total less than \$500 may be submitted without additional paperwork. In this instance, the provider is attesting that all items purchased have been made in accordance with the approved Start-Up Expense Proposal Worksheet. Providers must retain non-capital receipts for a period of six (6) years and submit them as requested by DDS.

For single receipts/invoices totaling over \$500, the provider must submit a receipt/invoice with the Start-Up Invoice Workbook. Providers may not split a purchase with a single vendor to circumvent the \$500 receipt/invoice submission guideline. In cases where multiple purchases from the same vendor exceed \$500 in aggregate, all receipts from the vendor must be submitted. This includes cases where these purchases are being submitted to DDS for reimbursement on separate invoices.

#### **4.0 Specific Requirements for Capital Purchases**

The following information is intended to provide expanded guidance to DDS staff and provider organizations regarding the proper methods of acquiring and reimbursing providers for capital items. This is based on and does not supersede [OSD's Purchase of Service \(POS\) Capital Items Procurement Policy](#).

OSD policy “recognizes that the Commonwealth typically should not own capital items and then lend them to human and social service contractors, but rather, when necessary, these contractors should receive funding from the Commonwealth to procure necessary capital items of furnishings and equipment to serve the Commonwealth’s clients.”

OSD’s policy presents the relevant regulatory provisions and contract forms, followed by the three options available to departments when procuring capital items. All DDS and provider staff should become familiar with OSD capital assets policy and related forms and guidance materials. Questions regarding how this policy should be directed at the DDS Central Office Contracts Unit.

#### **4.1 Definition of Capital Asset**

Under this policy and per OSD regulation, 808 CMR 1.00, an allowable capital purchase is a movable asset or group of assets of nonexpendable personal property having a useful life or more than a year and which costs the lessor of:

1. the capitalization level established and certified by the contractor in accordance with generally accepted accounting principles for financial statement purposes, or
2. the dollar amount authorized by the federal office of management and budget in OMB Circular A-122.

Non-moveable assets, which include large fixtures or mechanical units with a useful life of one year or greater and a value over the provider’s capitalization level, as well as major improvements and building renovations that exceed a provider’s capitalization level, may not be funded through a start-up contract. These expenses, where allowable, should be documented on the Occupancy Rate Application for the site to be considered in the depreciation schedule.

The current capitalization threshold authorized by the federal government is \$10,000. If a provider’s Board of Directors establishes a capitalization level that is less than \$10,000, DDS will use the provider’s level. If a provider’s capitalization level is more than \$10,000, the provider must use \$10,000 for purchases under this guidance.

## **4.2 Key Elements of Capital Asset Definition**

### **A. Asset or Group of Assets**

The regulatory definition includes single-item capital assets and situations in which a group of like or related assets are being purchased. Related assets whose combined value exceeds the capitalization level must be treated as capital even when those items considered individually are less than the capitalization level. A simple example of a group of like or related assets is a dining room set (i.e., a table and a matching set of chairs). In this case, each item of the set is not considered separately for purposes of determining whether the purchase is a capital purchase. The items are taken together as a group of related assets for this purpose. Likewise, a living room set that includes a matching sofa and chairs or a program area that includes laptops and printers would be considered a group of assets and not as separate items. Providers that are unsure how to classify purchases as a single or group of assets should contact the Central Office Contracts Unit at [DDSPOSProcurement@mass.gov](mailto:DDSPOSProcurement@mass.gov) for clarification.

### **B. Useful Life of More than One Year**

Capital items are intended to have a useful life of more than one year. These assets are not “expendable” items, like supplies and certain items of equipment.

### **C. Provider Capitalization Level**

Each provider must have a formally approved “capitalization level,” which is the dollar amount equal to or above which items with a useful life of over one year are considered to be capital assets. This is set by the provider’s Board of Directors. Providers are required to include this capitalization level on all Start-Up Expense Proposal Worksheet and on Attachment 6 (Capital Budget). As noted above, the upper limit DDS that will be used is \$10,000 regardless of a provider’s capitalization level.

### **D. Moveable Assets**

The Start-Up Expense Proposal Worksheet and Capital Budget form (Attachment 6) related to this policy may only be used in cases where moveable capital assets are needed to support a provider’s program operations. All documentation related to a capital purchase must describe the asset in sufficient detail to identify the key characteristics of the item to be purchased. As in the case of “like items,” there may be situations that present a less-clear case for whether an asset should be considered to be a “moveable” item. In these cases, guidance should be sought from the DDS Central Office Contracts Unit.

All capital reimbursement requests must be accompanied by an itemized receipt/invoice and with proof of delivery (shipping receipt, bill of lading, or similar documentation). If the location of the startup program differs from the address on the proof of delivery, providers must explain why this might be in the Start-Up Invoice Workbook. DDS considers it ideal for capital purchases, where possible, to be recorded on individual receipts and not combined with non-capital purchases.

### **4.3 Open and Free Procurement**

Providers are encouraged to read, understand, and implement OSD's best value process for procuring capital items. The guidance for obtaining best value is outlined in OSD's [Conducting Best Value Procurements](#) guide.

OSD regulations state that capital assets must be acquired through the solicitation of bids and proposals consistent with generally accepted accounting practices. Generally, this involves requesting three bids for a particular item. Competition should be, as much as it is practicable, open and free, and providers should maintain a written record of the solicitation. When submitting the Invoice Worksheet providers must indicate whether multiple bids were sought for the item or if it was purchased sole source. For sole source purchases, include a brief explanation of why multiple bids could not be obtained. DDS staff involved in authorizing the purchase of capital items may request documentation regarding the solicitation details for internal DDS records.

### **4.4 Inventory Requirement**

All capital purchases must, under OSD regulations, be labeled and included in the provider's written inventory system in accordance with generally accepted accounting principles. Inventory records must contain, at a minimum, the number and description of the capital assets, the source of funding, the acquisition cost, and the detailed location of each item.

### **4.5 Disposition Requirements**

In cases in which the provider contractor holds title to a capital asset under OSD policy, there are two relevant provisions regarding the disposition of capital items. First, if the item is fully depreciated under the OSD schedule of useful lives, the contractor may retain the property. In cases where the item is not fully depreciated, the item and its title may be returned to DDS, transferred to an alternate provider, or retained by the provider and sold with the remaining un-depreciated value or proceeds from the sale paid back to the Commonwealth or applied toward programs or purchases directly benefiting DDS clients.

## Appendix A – ALTR Program Allowable/Disallowable Costs

ALTR Allowable Start-Up Costs	ALTR Disallowable Start-Up Costs (Funded thru Occupancy or Operational Rates after site enters state service)
Basic Supplies for use during start-up period	Basic supplies bought in bulk for use after site opening
Staff wages related to staff assigned to work in the new site, such as House Manager and DC staff involved in site set up, medical staff assessments, time to attend trainings (all trainings, including provider orientations and other trainings beyond DDS minimum requirements), and other wage expenses associated with hiring staff prior to site opening	<p>Staff wages after the first person moves into site</p> <p>Staff wages associated with time spent working in other programs</p>
Training related expenses such as training materials, registration fees, trainer expenses	Training related expenses related to other programs or to happen after the site is opened
Tax and fringe benefits associated with allowable staff time. Tax and fringe benefits are reimbursed at a set rate of 24.22%	Tax and fringe benefits for staff wages after first person moves in
Indirect Administration associated with allowable staff wages. Admin is reimbursed at a set rate of 12%	Staffing expenses associated with provider senior management or administrators
Staff mileage directly attributed to site opening and allowable trainings	Staff mileage not directly attributed to site opening or allowable trainings
Storage space for medication	Any office supplies, electronic devices, computers, laptops, or printers
Reasonably priced common area furniture. For sites with outdoor space this includes outdoor furniture and a grill	Any office furniture
Kitchen appliances - stove, microwave, refrigerator, freezer, dishwasher, clothes washing and drying machines	Food
Furnishings – non-disposable household items like cookware, dishware, bath and bed linens, window treatments, decorative wall hangings	<p>Seasonal, holiday, or religious decorations.</p> <p>Recreational or athletic items (board games or gear)</p>

<b>ALTR Allowable Start-Up Costs</b>	<b>ALTR Disallowable Start-Up Costs</b> (Funded thru Occupancy or Operational Rates after site enters state service)
Moving expenses directly associated with individuals moving into the new site	Any item included on the new site occupancy application depreciation schedule
Exercise equipment such as a treadmill or exercise bike	Any switch and wiring – electric, phone or data communications work
	Any site or land maintenance – snow removal, lawn maintenance, plantings, cleaning, repairs, landscaping or associated costs
	Any home improvements or renovations
	Any vehicle and related expenses (gas, insurance, repair, rental) or client transport
	Utilities
	Mortgage payments
	Any per person funding received from MRC for Transitional Assistance for ABI Individuals

**Appendix B – CBDS Program Allowable/Disallowable Costs**

Allowable Start-Up Costs	Disallowable Start-Up Costs
Staff wages related to staff assigned to work in the new site such as clinical staff and DC staff involved in site set up, assessments, time to attend trainings (all trainings, including provider orientations and other trainings beyond DDS minimum requirements), and other wage expenses associated with hiring staff prior to site opening	<p>Staff wages and related costs after the new CBDS site is open</p> <p>Staff wages associated with time spent working in other programs</p>
Training related expenses such as training materials, registration fees, trainer expenses	Training related expenses related to other programs or to happen after the site is opened
Tax and fringe benefits associated with allowable staff time. Tax and fringe benefits are reimbursed at a set rate of 24.22%	Tax and fringe benefits for staff wages after the site opens
Indirect Administration associated with allowable staff wages. Admin is reimbursed at a set rate of 12%	Staffing expenses associated with provider senior management or administrators
Computer equipment and accessories for individuals to use for skill development	Any computers, laptops, printers for staff, including equipment for staff meeting space
Reasonably priced common and program area furniture	Any office or conference space furniture
Kitchen appliances - stove, microwave, refrigerator, freezer, dishwasher, washing and drying machines that will be used for skill development	Food
Storage space for medication	