

# **Texas Health and Human Services Commission**



**Nursing Facility (NF)  
2015 Cost Report Training**

# Housekeeping Items



- Break
- Hold Questions
- Hold music
- How to ask questions (“The Hand”)

# Training Objectives

- **Gain knowledge to complete the 2015 Nursing Facility cost reports in the STAIRS system and know the resources available for guidance**
- **Proactively address items and responsibilities that have historically been problematic for new preparers**
- **Promote effective communication between preparers and RAD**

# Topics to be Covered

- **HHSC, DADS & DFPS**
- **Communications**
- **ACRES Versus STAIRS**
- **Why are Cost Reports Important?**
- **How a Cost Becomes a Rate with Asides on Desk Reviews, Field Audits, Informal Reviews and Formal Appeals Requests**
- **Cost Report Training Requirements**
- **Cost Report Due Dates**
- **When to Complete a Cost Report**

# Topics to be Covered (cont.)

- **How to Complete a Cost Report**
- **Miscellaneous but Important**
- **Unacceptable and Unauditable Cost Reports**
- **Vendor Hold**
- **Allowable and Unallowable Costs**
- **Insurance Costs**
- **Allocations**
- **Related Party Issues**
- **Direct Care Staff Compensation Rate Enhancement**
- **STAIRS**
- **Depreciation**
- **Website**

# HHSC, DADS & DFPS

**Rates for long term care programs are developed by Rate Analysis for Long Term Services and Supports (LTSS) at the Health and Humans Services Commission (HHSC).**



# HHSC & DFPS

**Long Term Care programs are ADMINISTERED by the Department of Aging and Disability Services (DADS) and the Department of Family and Protective Services (DFPS – 24-Hour Residential Child Care only)**



# HHSC, DADS & DFPS

**Rate Analysis staff work closely with staff at DADS and DFPS to coordinate program administration, service definitions, billing guidelines and rates.**



# Communications

## E-Mail

[firstname.lastname@hhsc.state.tx.us](mailto:firstname.lastname@hhsc.state.tx.us)

LTSS Program contacts can be found at:

<http://www.hhsc.state.tx.us/rad/long-term-svcs/contacts.shtml>

General questions can be sent to:

[costinformation@hhsc.state.tx.us](mailto:costinformation@hhsc.state.tx.us)

# Communications

Nursing Home providers are welcome to contact us via email. For your benefit and ours, please send questions to us in writing via email, and **include the 9-digit contract number.**

RAD individual communications to you will be through the contact person listed on the cost report. The contact person must be an employee of the provider.

# Communications

## HHSC Rate Analysis Department (RAD)

Help tracking of cost report: **(512) 490-3115**

Rate Analysis Helpdesk: **(512) 490-3193**

## Website:

<http://www.hhsc.state.tx.us/rad/long-term-svcs/index.shtml>

# **Nursing Facilities RATE ANALYSTS**

**For Rate Enhancement questions:**

**Aaron Jones, NF Senior Rate Analyst**

**(512) 730-7467**

**aaron.jones@hhsc.state.tx.us**

**For Liability Insurance questions:**

**Brian King, NF Rate Analyst**

**(512) 707-6074**

**brian.king@hhsc.state.tx.us**

# Rate Analysis

## Mailing Addresses

### Regular Delivery

TX Health & Human Services  
Rate Analysis, M.C. H-400  
P. O. Box 149030  
Austin, TX 78714-9030



### Special Delivery

TX Health & Human Services  
Rate Analysis, M.C. H-400  
4900 N. Lamar  
Austin, TX 78751-2316



# Register for Updates

RAD mass communications to providers will be sent via a DADS Information Letter:

<http://dadsview.dads.state.tx.us/RSD/Policy/providerletters.cfm>



This is how you will be notified when Cost Reports are due.

# READ ! ! ! !

Anyone can prepare a cost report after reading the following items:

- Texas Administrative Code (TAC) – rules
- Specific Instructions

Gather accounting data and apply the above items.

All of these items are on the Rate Analysis website:

<http://www.hhsc.state.tx.us/rad/long-term-svcs/index.shtml>

# **ACRES versus STAIRS**

**ACRES was the automated cost reporting system used to complete the cost reports for NF in 2014.**

**STAIRS is the web-based cost reporting system used to complete all Cost Reports for any program including NF in 2015.**

# Why are Cost Reports Important?

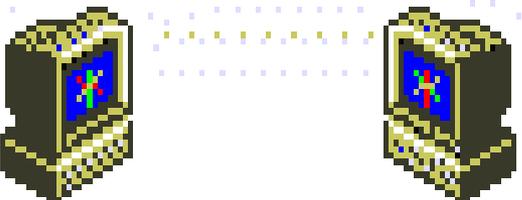
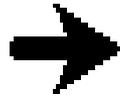


- **Used to set rates**
- **Used to make appropriations requests**
- **Used to determine enhancement compliance**
- **Used to obtain cost information for special circumstances and projects**

# How a Cost Becomes a Rate



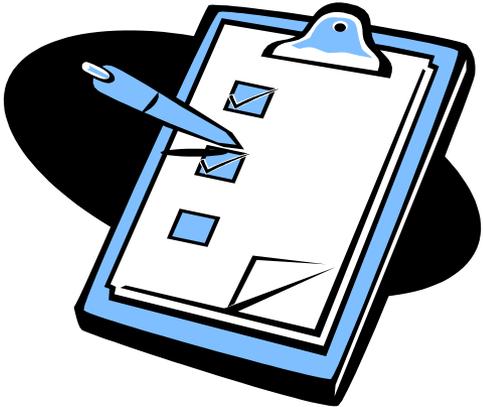
**Provider completes  
Cost Report in  
STAIRS**



**The STAIRS file is  
verified and all  
necessary  
documentation  
provided by  
Provider**



# How a Cost Becomes a Rate



**Rate Analysis Edit  
Check**



**HHSC  
Desk Review or  
Field Audit**

# Desk Reviews & Field Audits

**Verify that each cost report:**

- **Correctly reports allowable and unallowable costs**
- **Follows Generally Accepted Accounting Principles (GAAP) except as otherwise specified**
- **Follows cost report instructions and rules**
- **Is supported by documentation**

# **Desk Reviews & Field Audits**

- **Records must be accessible to HHSC Audit staff within 10 working days of notification that a review will be conducted.**
- **When records are not in Texas, the provider must pay the costs for HHSC staff to travel and review records out of state**

# **Desk Reviews & Field Audits**

**HHSC sends notices regarding the exclusions and adjustments. These notices identify:**

- Items that have been adjusted**
- The amount of each adjustment**
- The reason for each adjustment**

# How a Cost Becomes a Rate



**Rate Analysis  
Post-Audit Data  
Clean-Up**



**Informal Reviews /  
Formal Appeals**



# **Informal Review Requests**

- **Due within 30 days of notification**
- **Must include items in dispute, recommended resolution, supporting documentation**
- **Must be signed by individual legally responsible for the conduct of the DADS or DFPS-contracted provider or their legal representative**

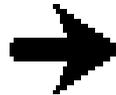
# Formal Appeal Requests

- **Due within 15 days of notification**
- **Limited to issues and documentation from Informal Review**
- **Must be signed by individual legally responsible for the conduct of the DADS or DFPS-contracted provider or their legal representative**

# How a Cost Becomes a Rate



**Rate Analysts create database(s) to calculate proposed rates**



**Analysis of Data by Rate Analysts**



# How a Cost Becomes a Rate



**Public  
Rate Hearing**

A rectangular box with a black border. The top half contains an image of a person in silhouette pointing at a line graph on a screen, with a crowd of people in silhouette in front. The bottom half contains the text "Public Rate Hearing" in bold black font.

**Executive  
Commissioner  
Approves Rates**

A rectangular box with a black border. The top half contains an image of a hand in a blue suit sleeve holding a pen, ready to sign. The bottom half contains the text "Executive Commissioner Approves Rates" in bold black font.

# Cost Report Due Dates

**April 30, 2016**

*(Saturday)*

**Due dates may only be extended for good cause**

# When to Complete a Cost Report

**All providers are required to submit a cost report; however, some providers may be excused from submitting a cost report if they meet specific criteria. Some of the criteria for being excused are:**

- **The provider delivered no services**
- **The provider delivered less than a certain amount of service**
- **The contract was effective no more than 30 days before the end of the cost report period**

***Note: Not all criteria apply to all programs. See the Rate Analysis webpage or the program-specific instructions for more information.***

# How to Complete a Cost Report

- **Review the prior year's Cost Report**
- **Review prior year's Cost Report Audit Adjustments (if available)**
- **Read the current year's Cost Report Specific Instructions**



# How to Complete a Cost Report

- **Gather all required documentation**
- **Review General Ledger for unallowable costs and classification errors**
- **Develop work papers that clearly reconcile between the provider's fiscal year end trial balance and the amounts reported on the Cost Report**
- **Include Cost Report line items on your reconciliation**
- **Complete all required allocations**



# How to Complete a Cost Report

- **Complete Steps in order, where required**
  - a) Steps 1-4 must be completed in order; Step 9 must be completed after Steps 1-8.
  - b) All Cost Reports by the Entity must be completed through Step 9 before Step 10 will open for any report.
  - c) All Cost Reports by the Entity must be completed through Step 10 before Step 11 will open for any report.
- **Transfer values from your allocation worksheets and reconciliations to appropriate cost report items**
- **If report is being used for enhancement purposes, complete enhancement worksheets**
- **Check work for errors**

# How to Complete a Cost Report

## Complete Methodology Certification:

- **Must be signed by the PREPARER. This person must be the individual who actually prepared the cost report or who has primary responsibility for the preparation of the cost report**
- **Must contain original signatures and original notary stamps/seals**

# How to Complete a Cost Report

## Complete Cost Report Certification:

- **Must be signed by an individual legally responsible for the conduct of the provider such as an owner, partner, Corporate Officer, Association Officer, Government official, or L.L.C member**
- **Must contain original signatures and original notary stamps/seals**
- **The signature date should be the same or after the date the preparer signed the Methodology Certification page**

# Miscellaneous but Important...

- Round \$ to 0 places; round statistical information to 2 places
- Amended Cost Reports



# Miscellaneous but Important...

- Use Accrual method of accounting
- To be allowable, accrued expenses must be incurred during the cost reporting period and must be paid within 180 days after the end of that cost reporting period



## Miscellaneous but Important...

**Records must be maintained a minimum of 3 years and 90 days after the end of the provider's fiscal year or after the resolution of all litigation, claims and audit findings involving the cost report, if that is later.**



# **Unacceptable Cost Reports**

- **Not completed in accordance with rules, instructions, and policy clarifications**
- **Not completed for the correct reporting period**
- **Not completed using an accrual method of accounting (except for governmental entities required to operate on a cash basis)**
- **Preparer has not submitted required documentation (certification pages, allocation summaries, leases, management agreements...)**

# **Unauditable** Cost Reports

- **Auditor is unable to reconcile to provider's workpapers**
- **Provider fails to provide requested information/documentation in a timely fashion**
- **Provider does not have supporting workpapers**
- **Provider used unacceptable allocation method**

# Vendor Hold

**Failure to submit an acceptable cost report by the cost report due date may result in DADS or DFPS withholding payments from the provider until an acceptable cost report is submitted (i.e., “vendor hold”)**



# Allowable and Unallowable Costs

Costs are **ALLOWABLE** if they meet the “reasonable” and “necessary” tests.

“reasonable”

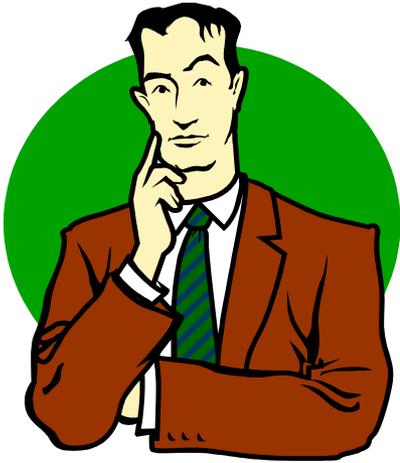
and

“necessary”



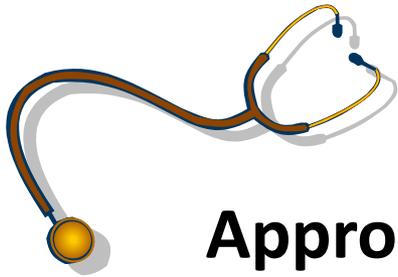
# Allowable and Unallowable Costs

## Reasonable Costs



- The provider seeks to minimize costs through arm's-length transactions
- The amount expended does not exceed what a prudent, cost-conscious buyer pays for a given item or service

# Allowable and Unallowable Costs



## Necessary Costs

Appropriate for developing and maintaining the required standard of operation for client care



- **Within State, federal, local regulations**
- **Not personal**
- **Directly or indirectly related to providing the contracted service**
- **Allocated costs per program are substantiated**

# Allowable and Unallowable Costs

The provider may purchase items or services that are “unallowable” but they must NOT include them on the cost report



# Allowable and Unallowable Costs

## Authority Sources

- **Cost Report Specific Instructions**
- **Cost Report Training**
- **Texas Administrative Code (TAC)**
  - **1 TAC §355.102**
  - **1 TAC §355.103**
- **GAAP – unless in conflict with instructions or TAC**



# **Allowable and Unallowable Costs**

## **Arm's-length Transactions**

- **Arm's-length transactions are transactions between parties that are not related by blood, marriage or control**
- **Less-than-arm's-length transactions are transactions between related parties**

# **Allowable and Unallowable Costs**

## **Compensation**

**Includes both cash and noncash forms of compensation subject to federal payroll tax regulations:**

- **Wages and salaries (including bonuses)**
- **Payroll taxes**
- **Fringe benefits**

# Allowable and Unallowable Costs Compensation

A bonus is a type of compensation granted to employees as an addition to wages. Bonuses paid to employees in arm's-length transactions are allowable costs, subject to the “reasonable and necessary” costs criteria

# Allowable and Unallowable Costs

## Compensation

Allowable employee benefits are reported as either:

- Salaries and wages
- Employee benefits
- Costs applicable to specific cost areas

# Allowable and Unallowable Costs

## Compensation

Benefits that must be reported as salaries and wages and directly charged to the individual employee include:

- Paid vacation days
- Paid holidays
- Paid sick leave
- Other paid leave

# Allowable and Unallowable Costs

## Compensation

**Benefits that must be reported as benefits and directly charged to the individual employee include:**

- **Employer contributions to deferred compensation plans, retirement funds or pension plans**
- **Costs of certain employer-paid health/medical/dental and disability insurance premiums and paid claims**
- **Employer-paid life insurance premiums**
- **Employer-paid child day care for children of employees**
- **Accrued paid days off not yet subject to payroll taxes**

# **Allowable and Unallowable Costs**

## **Compensation**

- **Only employer-paid health/medical/dental and disability paid claims can be allocated**
- **All other employee benefits and/or insurance must be direct-costed**

# Allowable and Unallowable Costs

## Compensation

Benefits that are reported as costs applicable to specific cost areas include:

- Employer-paid training/educational costs
- Employee relations costs
- Uniforms
- Noncash incentives
- Mileage reimbursement
- Meals

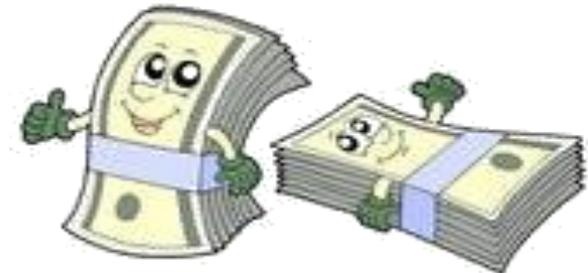
# Allowable and Unallowable Costs

## Compensation

**Providers must maintain documentation which clearly identifies each type of compensation**

**Examples of required documentation include:**

- Insurance policies
- Provider benefit policies
- Records showing paid leave accrued and taken
- Documentation to support hours (regular & overtime) worked and wages paid
- Mileage logs
- Travel Allowances



# **Allowable and Unallowable Costs**

## **Consultants**

**Allowable compensation for outside consultants and for services provided by outside vendors must be:**

- **Reasonable**
- **Necessary**
- **Related to the provision of contracted services**

# **Allowable and Unallowable Costs**

## **Accounting and Auditing Fees**

**Allowable accounting and auditing fees include those for:**

- **Preparation of business tax reports/returns**
- **Preparation of financial statements**
- **Preparation of cost reports**
- **Performance of a financial audit**

# Allowable and Unallowable Costs

## Accounting and Auditing Fees

Unallowable accounting and auditing fees include expenses related to:

- Preparation of personal tax returns or single audit
- Litigation
- Preparation of annual reports, reports to stockholders or other interested parties
- Investment management
- Any other unallowable costs

# Allowable and Unallowable Costs

## Legal Fees and Retainers

Allowable legal fees are expenses for allowable legal representation in allowable instances and must be clearly enumerated as to amount and subject of the action

# Allowable and Unallowable Costs

## Legal Fees and Retainers

**Unallowable legal fees are expenses for legal activities related to lawsuits against the government; retainers in and of themselves; expenses related to other business activities**

# **Allowable and Unallowable Costs**

## **Litigation Expenses and Awards**

**Unallowable litigation expenses and awards include expenses related to:**

- **Court-ordered awards of damages or settlements, with an exception for certain workers' compensation settlements**
- **Legal fees associated with litigation that resulted in any court-ordered award of damages or settlements or a criminal conviction**
- **Litigation expenses (e.g., legal fees, settlement costs, award costs, expert witness expenses and investigative services)**

# Allowable and Unallowable Costs

## Accounting, Auditing and Legal Fees

Documentation for accounting, auditing and legal fees that are billed on an hourly basis and the allowable portion of legal retainers should include:

- The amount of time spent on the activity
- A written description of the activity performed
- The person performing the activity
- The hourly billing amount of the person performing the activity

# Allowable and Unallowable Costs

## Advertising and Public Relations

### ALLOWABLE COSTS include

Yellow page listings in the provider's service area (up to 1/8 page) and classified ads for the recruitment of personnel.



### UNALLOWABLE COSTS include

Advertising which seeks to increase client utilization, sale of stock and public relations costs.

# **Allowable and Unallowable Costs**

## **Interest Expense**

**In order for interest expense to be allowable, the loan must:**

- **Satisfy a financial need**
- **Be related to contracted client care**
- **Be made in the name of the contracted provider entity**
- **Be used for allowable costs**

# **Allowable and Unallowable Costs**

## **Interest Expense**

### **Unallowable interest expense includes:**

- **A loan that is for purpose of investing in operations other than contracted services**
- **A loan that pertains to unallowable items**
- **A loan that is for purpose of creating excess working capital**

# Allowable and Unallowable Costs

## Interest Expense

### LOAN DOCUMENTATION:

- Signed copy of loan
- Explanation of purpose of loan
- Documentation of use of proceeds
- Evidence of systematic principal and interest payments
- Substantiation of costs of securing loan



# Allowable and Unallowable Costs

## Employee Morale and Welfare

**ALLOWABLE**: To the extent they are incurred in accordance with written policy and only as indirect costs, expenses related to employee morale and welfare are limited to \$50 per employee per year



# Allowable and Unallowable Costs

## Fines and Penalties

**UNALLOWABLE**: Non-sufficient fund fees, parking fines, damages and settlements from violations (or alleged violations) of laws and regulations ACA fines are unallowable



# Allowable and Unallowable Costs

## Fundraising & Investment Management

**UNALLOWABLE**: salaries related to fundraising and investment management and any fees paid to others for such activity



# Allowable and Unallowable Costs

## Memberships, Subscriptions, Lobbying, Contributions & Donations

Costs for membership in professional associations directly  
and primarily concerned with the provision of services

### Allowable

- ✓ professional association dues
- ✓ dues or fees to maintain professional accreditation

### Unallowable

- ❖ lobbying or campaign contributions
- ❖ civic organizations
- ❖ nonprofessional organizations

# Allowable and Unallowable Costs

## Allowable Taxes:



- **Ad Valorem (Property) and Texas Franchise taxes**
- **Employment-related taxes such as FICA and State/Federal Unemployment**

*NOTE: Sales tax on purchased goods is included in the cost of the asset or item purchased*

# Allowable and Unallowable Costs

## Unallowable Taxes:

- Federal and state income taxes
- Self-employment taxes
- “Pass-through” taxes (e.g. sales taxes)
- Taxes for which exemptions are available



# Allowable and Unallowable Costs

## Training

The following training expenses are **ALLOWABLE** on the cost report as long as the training has a direct relationship to the job:

- **CPR**
- **On-The-Job Training**
- **Instructors**
- **Materials**
- **Registration Fees**



# Allowable and Unallowable Costs

## Travel Costs

The maximum for lodging per diem and meals per diem costs is 150% of the General Services Administration (GSA)'s federal travel rates for maximum lodging and meal reimbursement rates. The GSA's travel rates may be found at [www.gsa.gov](http://www.gsa.gov). Click on "Per Diem Rates".

For locations not specifically listed on the GSA website, the maximum allowable lodging and meals per diem rates for cost-reporting purposes are **\$133.50 for lodging** (plus applicable city/local/state taxes and energy surcharges) and **\$76.50 for meals**.

# Allowable and Unallowable Costs

## Travel Costs

Effective Date	Automobile Mileage (per mile)
Jan. 1 – Dec. 31, 2014	56.0 cents per mile
Jan. 1 – Dec. 31, 2015	57.5 cents per mile

<https://fmx.cpa.state.tx.us/fm/travel/travelrates.php>

# Allowable and Unallowable Costs

## Travel Costs

**Out-of-state travel costs are unallowable, unless:**

- For allowable staff training not available in the state of Texas;
- For delivering client services within 25 miles of the Texas border (adjoining states but not Mexico); or
- To conduct business related to contracted client services in Texas - only if between Texas and the contracted provider's central office.

# Allowable and Unallowable Costs

## Travel Costs



- **All costs for travel outside the continental United States are unallowable costs.**
- **DADS currently prohibits travel to Mexico, therefore, it is unallowable even if HHSC rules allow.**
- **Allowable costs for meals do NOT include tips, gratuities or alcoholic beverages.**

# **Allowable and Unallowable Costs**

## **In-Kind Donations**

**In-kind donations are donations of property, goods and/or services. The value of the item is not an allowable cost; but occasionally related costs ARE allowable.**

**Call your Rate Analyst if you have in-kind donations and need assistance with determining what is an allowable cost.**

# **Allowable and Unallowable Costs**

## **R&D, Organization and Startup Costs**

**Some research and development, organization and start-up costs are allowable.**

**If the provider has R & D, organization or start-up costs for a new contract, contact your Rate Analyst for further instructions**

# Allowable and Unallowable Costs

## Goodwill

- The difference between the purchase price and the fair market value of an asset
- Not an allowable cost on the cost report



# **Allowable and Unallowable Costs**

## **Direct Reimbursements**

**Expenses directly reimbursable to the provider that are outside of the unit rate are unallowable.**

**Check program-specific rules and instructions for any exemptions related to direct reimbursements.**

# **Allowable and Unallowable Costs Losses**

- **Losses resulting from THEFT or EMBEZZLEMENT of property or funds of the provider or clients by owners or staff of the provider are not allowable**
- **BAD DEBT allowance as an expense is unallowable and must be shown as a revenue offset in the provider's books**
- **CHARITY/COURTESY ALLOWANCES are not costs and cannot be reported on the cost report. The actual costs of the service are already included in the cost report**

# Insurance Costs

**Insurance is the coverage by contract in which one party agrees to indemnify or reimburse another for loss that occurs under the terms of the contract.**

**A provider can purchase insurance from:**

- **a commercial carrier**
- **a limited purpose insurer**
- **a special risk management fund or pool**

# Insurance Costs

## Commercial Insurance Carrier

- **Purchase must be an arm's-length transaction**
- **Insurer must meet standards set by the Texas Department of Insurance**

## Limited Purpose Insurance Carrier

- **Costs must not be in excess of the cost of comparable insurance premiums**

# Insurance Costs

## Special Risk Management Fund or Pool

- **Fund or pool must be operated by a third party which assumes some of the risk**
- **Fund or pool must have an annual actuarial review**



# **Insurance Costs**

## **Reporting Costs For Purchased Insurance**

- **Include all allowable insurance premium costs with amounts accrued for premiums, modifiers, and surcharges adjusted by any refunds and discounts received or audit settlements paid during the cost reporting period**
- **Errors and omissions insurance on members of boards of directors is an allowable cost**
- **Insurance costs pertaining to items of unallowable costs are unallowable**

# Insurance Costs

## Self Insurance

- Occurs when a provider assumes the risk to protect itself against anticipated insurance liabilities and no other entity shares any of the risk.
- Can also be described as being *uninsured*
- Costs are allowable on a CASH, claims-paid basis with certain limitations



# **Insurance Costs**

## **Partial Self Insurance**

- **Occurs when a provider assumes the risk to protect itself against anticipated insurance liabilities, but another entity shares part of the risk**
- **Includes a stop-loss policy or some other method to share the risk between the provider and the third party**
- **Costs are allowable on a CASH, claims-paid basis – with certain limitations**

# Insurance Costs

## Self Insurance Documentation Requirements

**Maintain documentation that supports the amount of claims paid each year. Other documentation will also be required.**



**If you believe you are self-insured and need assistance with the reporting requirements, call your Rate Analyst.**

# **Insurance Costs**

## **Life Insurance Costs For Owners, Officers & Key Employees**

**It is ALLOWABLE if the individual's relatives or estate are the beneficiary, to the extent such employee benefits are allowable**

# **Insurance Costs**

## **Life Insurance Costs For Owners, Officers & Key Employees**

### **ALLOWABLE:**

**If the individual's relatives or estate are not the beneficiary, costs are allowable only if:**

- **Required by a financial institution**
- **Financial institution is the beneficiary**
- **Proceeds restricted to paying off the balance of the loan**

# Insurance Costs

## Life Insurance Costs For Owners, Officers & Key Employees

**UNALLOWABLE** if the provider is  
a direct or indirect beneficiary



# Depreciation

- **Depreciation** is the periodic reduction of the value of an asset over its useful life or the recovery of an asset's cost over its useful life
- **Amortization** is the periodic reduction of the value of an intangible asset, such as a trademark or patent, or debt over its useful life

# Depreciation

- **Depreciate** items if  
Cost  $\geq$  \$5,000 and  $>$  1 Year Useful Life Left
- **Expense** items if  
Cost  $<$  \$5,000 or  $\leq$  1 Year Useful Life Left



# Depreciation

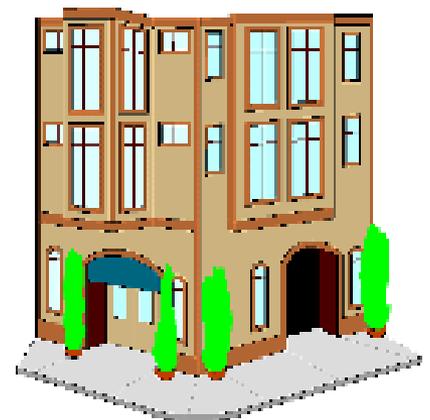
- **The system will use straight-line method**
- **Begin depreciation in month placed in service**
- **End depreciation when asset is fully depreciated or taken out of service**
- **Do not claim depreciation for the month taken out of service**

# Depreciation

- Can choose to enter Depreciable Assets detailed by each item or as a summarized total.
- If one enters detailed items and then chooses the summarized total, the details entered in STAIRS will be lost.
- Recommended that Providers calculate Depreciation and Allocations outside of STAIRS and then transfer the values to STAIRS.

# Depreciation Buildings

- **Minimum useful life is 30 years**
- **Minimum salvage value is 10%**
- **Do NOT include land cost**



# **Depreciation**

## **Transportation Equipment**

- **Cars & minivans – 3 years**
- **Light trucks & vans– 5 years**
- **Buses & planes – 7 years**
- **Used vehicles: longer of years remaining in useful life of vehicle or 3 years**

# Depreciation

## Specialized Transportation Equipment

- **Specialized equipment added to a vehicle to assist a client should be depreciated separately from the vehicle**
- **Wheelchair lifts have an estimated useful life of five years**

# Depreciation

## Ground Transportation – Mileage Logs

### NOT REQUIRED IF:

- **Vehicle is used solely (100%) for provision of contracted client services delivering ONE type of contracted care or contract**
- **Provider has a written policy that states that the equipment is restricted to that use and the policy is followed**

# Depreciation

## Ground Transportation – Mileage Logs

### REQUIRED IF:

**Vehicle is used for several purposes (including personal use\*) or multiple programs or contracts**

**\* Personal use includes, among other things, driving to and from a personal residence**

# Depreciation

## Ground Transportation – Mileage Logs

### Minimum elements:

- **Date**
- **Driver**
- **Persons in vehicle**
- **Trip Mileage (beginning, ending and total)**
- **Purpose of trip**
- **Allocation Centers (departments, business entities)**

### Mileage Log

Date 5/27/20XX

Vehicle Information Make Honda  
 Model Civic  
 Year 2008

Beginning Odometer Reading 27,855  
 Ending Odometer Reading 27,942

Driver	Passengers	Purpose of Trip	Odometer Reading			Program Allocation
			Beginning	Ending	Total	
Jane Smith	None	Supervisory Visit	27855	27865	10	PHC/FC
Jane Smith	None	Skilled Nursing	27865	27890	25	Medicare
Jane Smith	None	Lunch	27890	27900	10	None - Personal
Jane Smith	None	Supervisory Visit - ADLs	27900	27930	30	CBA - Supervisory
Jane Smith	None	Fill-in for Attendant	27930	27942	12	CBA - PAS
Total Miles:					87	

Daily Summary by Program & Contract Number		
Program	Contract #	Miles
PHC/FC	001019999	10
Medicare	XX XXXX	25
CBA	001018888	42
Personal	N/A	10

# Depreciation

## Depreciation of Luxury Vehicles

**LUXURY VEHICLES** are passenger vehicles with a purchase price higher than the allowable base value.

<b>2010</b>	<b>\$38,808</b>	<b>2013</b>	<b>\$41,184</b>
<b>2011</b>	<b>\$39,584</b>	<b>2014</b>	<b>\$42,008</b>
<b>2012</b>	<b>\$40,376</b>	<b>2015</b>	<b>\$42,847</b>

# Depreciation



## Repairs and Maintenance Ordinary Repairs



- Recurring
- Usually involve expenditures for parts and labor to keep the asset in operating condition

Examples - painting, wall papering, copy machine repair, oil changes

**EXPENSE AS INCURRED**

# Depreciation

## Repairs and Maintenance

### Extraordinary Repairs

- Expenditures not normally recurring
- Usually increase the value of an asset



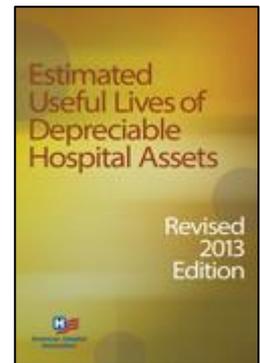
**Examples - vehicle overhauls, replacing a roof and strengthening the foundation of a building**

# Depreciation

## Other Depreciation

**All other assets must be depreciated consistent with the American Hospital Association's "Estimated Useful Lives of Depreciable Hospital Assets", 2013 edition.**

**Website: [www.healthforumonlinestore.com](http://www.healthforumonlinestore.com)**



# Depreciation Documentation

**Required for each depreciable asset so that its classification and estimated useful life can be checked for accuracy**

- **Historical cost**
- **Date of purchase**
- **Depreciable basis**



# Depreciation Documentation

**Must be accessible in a field audit for each depreciable asset**

- **Estimated useful life**
- **Accumulated depreciation**
- **Calculation of gains and losses upon disposal**



# Depreciation Documentation

- **Descriptions with unacceptable insufficient detail: “kitchen equipment”, “current year purchases”, “office furniture”**
- **In STAIRS these items are rolled up, but your documentation needs to be at this level of detail.**



# Depreciation

## Unallowable Depreciation / Amortization

- **Depreciation and amortization for unallowable assets**
- **Amounts in excess of those using the straight-line method**
- **Planning/evaluation expenses for depreciable assets not purchased and used in contracted services**
- **Goodwill**

# Related Parties

**A Related Party is any person or organization related to the provider by:**

- **Blood**
- **Marriage**
- **Common ownership**
- **Control**



# Related Parties

**A Related Party is any person or organization related to the provider by:**

- **Parent, child, sibling (including step-children)**
- **Mother-in-law, Father-in-law**
- **Aunt, Uncle, Cousin**



# Related Parties Control

**Control occurs if a person or organization has the power to directly or indirectly influence actions or policies of the provider – whether or not that control is exercised**



# Related Parties

## Common Ownership

**Common ownership occurs if a person possesses an ownership/equity interest in the provider and in the organization serving the contracted provider.**



# Related Party Transactions and Compensation

- **Reasonable** – must be an amount that would ordinarily be paid for comparable services
- **Necessary** – duties/services performed by the related-party employee or entity are such that the provider would have to employ another person or contract with another entity to perform the duties/services if the related-party was unavailable

# Related Party Compensation

Documentation should include:

- **Written description of duties, functions, responsibilities**
- **Substantiation that services performed were not duplicative**
- **Daily timesheets or other documentation verifying hours worked**



# Related Party Compensation



**Documentation should include:**

- **Breakdown by regular pay, overtime, bonuses, benefits, etc.**
- **Proof of regular, periodic payments and/or accruals**
- **Proof that compensation is subject to payroll/self-employment taxes**
- **Allocation worksheets, if compensation is allocated**

# Related Party Compensation

## Bonuses



- **Must not represent profit sharing or be determined based on profit**
- **Must be clearly defined in written agreement or employment policy**
- **Must not be made only to, or discriminate in favor of, related parties**

# Related Party Compensation Bonuses

Documentation should include a written, clearly defined bonus policy which defines:

- The basis for distributing the bonuses
- Who received bonuses
- The amount received by each individual
- Whether the individual was a related party



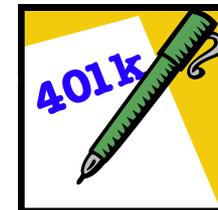
# Related Party Compensation Benefits

**Benefits paid to related parties must not discriminate in favor of certain employees such as employees who are officers, stockholders, or the highest paid individual(s) of the organization**



# Related Party Compensation

## Benefits



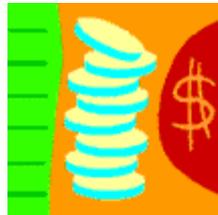
**Documentation should include a written, clearly defined benefits policy which defines:**

- **The basis for eligibility for each type of benefit**
- **Who is eligible to receive each type of benefit**
- **Who actually received each type of benefit**
- **The amount of each type of benefit received by each individual**
- **Whether the individual receiving each type of benefit was a related party**

# **Related Party Compensation**

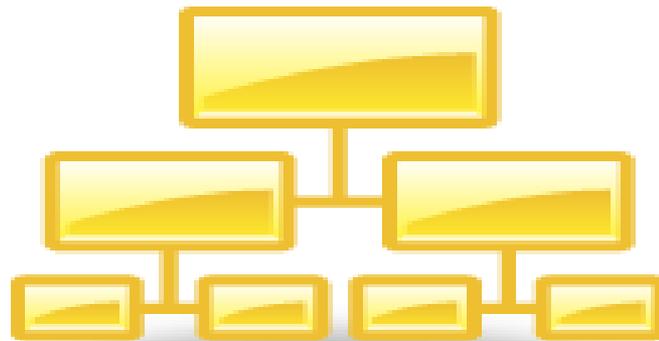
## **Unallowable Compensation**

**Compensation that is not clearly enumerated as to the dollar amount or which represents profit or surplus revenue distributions**



# Related Parties

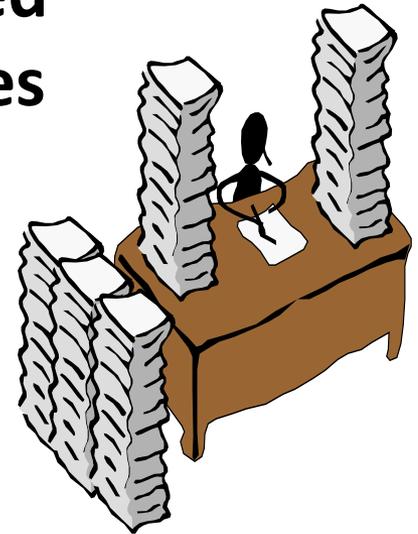
**Upload an organizational chart indicating the related party and name within the organization**



# Related Party Transactions

**You have a related-party transaction if:**

- **If you have purchased and/or leased items, equipment, services, facilities from a related party**
- **If you have a loan from a related-party**



# Related Party Transactions

## Purchases

- Can be items or services
- From a related-party individual or organization



# Related Party Transactions

**Related-party loans  
from organizations,  
individuals, or groups of  
individuals**



# Related Party Transactions

**Allowable expenses in related-party transactions must be reported at the lower of the cost to the related party or the price of comparable services, equipment, facilities or supplies that could be purchased/leased elsewhere in an arm's-length transaction.**



# Related Party Transactions

**Calculate the cost to the related party:**

- **Of a building lease**
- **Of purchases such as buildings and depreciable assets**



# Direct Care Staff Compensation Rate Enhancement

- Improve quality of care by improving wages and benefits for staff providing direct care
- Participants receive an add-on to their per unit rate in order to increase compensation to direct care staff
- Participation is voluntary



# Direct Care Staff Compensation Rate Enhancement

- **July enrollment**
- **Funds not spent according to requirements are recouped**
- **Cost Report data used to determine compliance**



# Liability Insurance Add-On

**Professional and General (PL/GL) = \$1.67**

**Professional Only (PL) = \$1.53**

**General Only (GL) = \$0.14**

NOTE: There were no rate increases for Nursing Facilities in 2015. The rates on our website, **Effective September 1, 2014 to current**, are the current rates.

# COMMON ERRORS



# Common Errors

- **Not reading the instructions**
- **Cash vs. Accrual basis**
- **Not reviewing last year's cost report**
- **Preparer not approved for program**

# Common Errors

- **Detail not provided for items requiring "Provide description in Notes Box"**
- **Failure to provide a detailed monetary breakdown of ALL employee benefits**
- **Incorrect Allocations**
- **Misclassification of costs**
- **Inconsistent information**
- **Combining costs that should be reported separately**

**ALLOCATIONS**

# What Must Be Allocated?

If there is more than one:

- **Business component**
- **Service delivery program**
- **Medicaid program**

**within the entire related organization, the provider is considered to have central office functions, meaning that administration functions are more than likely shared across various business components, service delivery programs, or Medicaid contracts. Shared administration costs require allocation prior to being reported as central office costs on the cost report.**

# ALLOCATING CENTRAL OFFICE COSTS

What is a **Central Office**?

A **Central Office** refers to shared administrative functions across more than one business or program.

A **Central Office** does not necessarily refer to a separate building or business entity.



# ALLOCATING CENTRAL OFFICE COSTS

**SHARED ADMINISTRATIVE FUNCTIONS** include:

general administrative oversight, central management, personnel, accounts payable, accounts receivable, general ledger accounting, payroll, risk management, purchasing, and other administrative functions.

Direct and indirect costs related to these **FUNCTIONS** include salaries/wages, payroll taxes, employee benefits, supplies, office space, and operations costs.

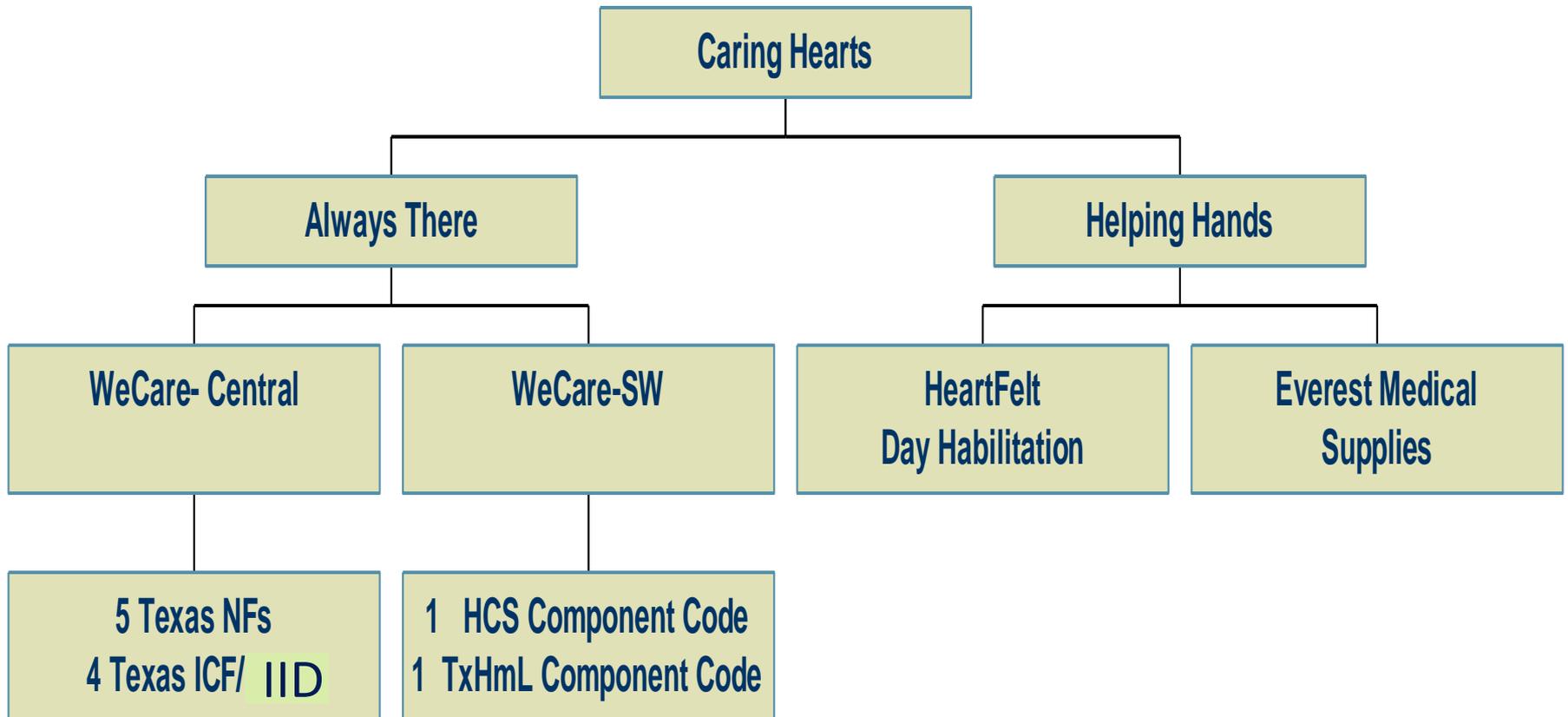
# **ALLOCATING CENTRAL OFFICE COSTS**

**If no shared administrative functions exist and no costs are reported in the central office section of the cost report:**

- Attach a description of the organization's structure**
- Enter an explanation of why no costs are reported in the Notes section for Step 8f.**

# COST ALLOCATION - CHAIN

Example: Organization Structure (Parent Company)



# **MULTI-STEP ALLOCATION**

**Multi-step allocation is required for administrative costs when there are two or more levels in the provider's organizational structure and**

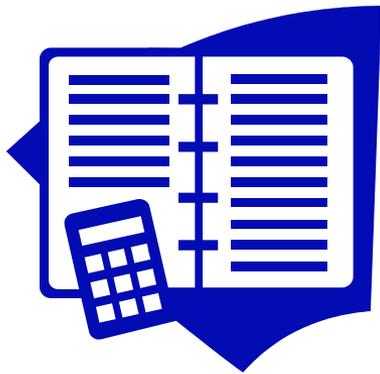
- Costs at one level are shared between two or more entities and only one of those entities is providing services related to the program in question; and**
- The costs of that entity need to be allocated between two or more entities at some lower level in the organizational structure.**

# **ASSIGNING INDIRECT COSTS**

**INDIRECT COSTS** must be directly charged or properly allocated across separate legal entities or cost centers, departments or divisions within one legal entity sharing benefits of those costs.

**EXAMPLES OF INDIRECT COSTS** include rent, depreciation, mortgage interest, utilities, insurance, housekeeping, billing, and information services.

# ALLOCATION METHODS



# ALLOCATION METHODS

Allocation methods must be:

- a reasonable reflection of your business operations
  - \* Is your business *programmatic* with building cost? *Residential* with building cost? *Labor intensive* or *mixed*?
- consistently applied across all contracts that are sharing cost.

# Allocation Methods

## **RAD Approved Allocation Methods:**

- **Units of Service**
- **Labor Costs**
- **Total-Cost-Less-Facility-Cost**
- **Cost-to-Cost**
- **Salaries**

## **Functional Allocation Methods**

## **Other Allocation Methods**

## APPROPRIATE ALLOCATION METHODS FOR REPORTING SHARED ADMINISTRATIVE COSTS THAT CANNOT BE REASONABLY DIRECT COSTED

<b>Makeup of Controlling Entity's Contracts</b>	Multiple Contracts of the Same (Equivalent) Type of Service	Various Contracts - All Labor-Intensive	Various Contracts - All with Programmatic- or Residential-Building Costs	Mixed Contracts - Some with Programmatic- or Residential-Building Costs and Some Labor-Intensive	Shared Administrative Personnel Performing Different Duties for Different Contracts (Not Direct Care)	Functional Methods
<b>Allowable Allocation Methods</b>	Units of Service	Cost-to-Cost  Labor Costs  Salaries	Cost-to-Cost  Total-Cost-Less-Facility-Cost  Labor Costs  Salaries	Total-Cost-Less-Facility-Cost  Labor Costs	Time Study*	Payroll Department: Number of payroll checks issued for each contract during the reporting period  Purchasing Department: Number of purchase orders processed during the reporting period for each contract
<b>Applicable to Type of Provider</b>	All	PHC, CBA, CLASS (CPC)	NF, DAHS, RC	All NF and CC but not IDD		

Providers may use any of the methods listed as appropriate for the makeup of their business organization. If one of the approved methods does not provide a reasonable reflection of the provider's actual operations, the provider must use a method that does. If none of the listed methods provides a reasonable reflection of the provider's actual operations, contact your NF Rate Analyst for further instructions.

# Makeup of Controlling Entity

**Labor-Intensive** - labor performed in a person's home (not NF)

**Programmatic** - direct care staff wages, building cost lease, maintenance

**Residential** – There is a cost to providing a residence (such as a NF facility)

# Makeup of Controlling Entity

**Multiple Contracts** of the Same Type Service and Units of Service

**Various Contracts** – All with Programmatic or Residential Costs

**Mixed Contracts** – Some with Programmatic, Labor-Intensive or Residential Costs

# Which are you?

<b>Makeup of Controlling Entity's Contracts</b>	<b>Multiple Contracts</b> of the <b>Same</b> (Equivalent) Type of Service	<b>Various Contracts</b> - All <b>Labor-Intensive</b>	<b>Various Contracts</b> - All with <b>Programmatic</b> or <b>Residential-Building Costs</b>	<b>Mixed Contracts</b> - Some with <b>Programmatic</b> or <b>Residential-Building Costs</b> and Some <b>Labor-Intensive</b>
<b>Allowable Allocation Methods</b>	Units of Service	Cost-to-Cost  Labor Costs  Salaries	Cost-to-Cost  Total-Cost-Less-Facility-Cost  Labor Costs  Salaries	Total-Cost-Less-Facility-Cost  Labor Costs
<b>Applicable to Type of Provider</b>	All	PHC, CBA, CLASS (CPC)	NF, DAHS, RC	All NF and CC but not IDD

**Labor-Intensive** - labor performed in a person's home (not NF)

**Programmatic Costs** - includes direct care staff wages, building cost lease, maintenance

**Residential Building Costs** – There is a cost to providing a residence (such as a NF facility)

# Allocation Methods

A listing of the various cost categories to be allocated

## Adjusted Trial Balance - John's Company, Inc. As of 12/31/20XX

Expenses:	Total Costs	Disallowed	Direct Costs		Shared Costs	Allocated Shared Costs		Line Item	
			A	B		57.22% A	42.78% B	A	B
Salaries									
Administrative	125,347.28				125,347.28	71,723.71	53,623.57	xxx	xxx
PHC Attendants	87,434.22		87,434.22		-	-	-	xxx	xxx
Adult Day Care Attendants	33,254.88			33,254.88	-	-	-	xxx	xxx
Adult Day Care Drivers	25,492.12			25,492.12	-	-	-	xxx	xxx
Contracted Nurse	9,482.66			9,482.66	-	-	-	xxx	xxx
FICA/Medicare	18,821.78		8,843.84	5,219.57	4,758.37	2,722.74	2,035.63	xxx	xxx
State & Federal Unemployment	4,428.65		2,822.33	665.10	941.23	538.57	402.66	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,547.10	1,156.67	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,574.90	1,925.10	xxx	xxx
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,559.36	1,913.48	xxx	xxx
Ad Valorem Taxes	3,256.88		842.64	1,834.64	579.60	331.65	247.95	xxx	xxx
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	319.76	239.06	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,300.46	972.27	xxx	xxx
Office Supplies	1,501.80				1,501.80	859.33	642.47	xxx	xxx
Medical Supplies	874.64				874.64	500.47	374.17	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	717.54	536.46	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	601.31	449.56	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	34.46	25.77	xxx	xxx
Advertising	402.87	104.97			297.90	170.46	127.44	xxx	xxx
Miscellaneous	601.47	254.74			346.73	198.40	148.33	xxx	xxx
<b>Totals</b>	<b>341,239.93</b>	<b>597.36</b>	<b>106,684.84</b>	<b>82,436.92</b>	<b>151,520.81</b>	<b>86,700.21</b>	<b>64,820.60</b>		

Total Costs-Less-Facility-Costs Allocation Percentages:

	A	B	Totals
Total Costs	106,684.84	82,436.92	189,121.76
Facility Costs	5,874.40	7,063.63	12,938.03
Total Costs Less Facility Costs	100,810.44	75,373.29	176,183.73
Allocation Percentages	57.22%	42.78%	100.00%

# RAD Approved Allocation Methods:

## Units of Service

In order to use the units of service allocation method to allocate shared administrative costs, each contract must:

- Deliver equivalent services (cannot be used with different types of programs such as NF and PHC)
- Measure the delivery of the equivalent services using equivalent units of measurement (i.e. 1 day)

**Equivalent Service and Equivalent Units =  
Units of Service Allocation Method**

# **Allocation Methods**

## **Units of Service**

**Finding the allocation percentage:**

- **Total units of service for all contracts = 100%**
- **Divide each contract's units of service by the total units of service for all contracts. The result is a percentage for each contract**
- **Apply the resulting percentages to the total indirect shared costs**

Allocation Summary - UNITS of SERVICE									
Adjusted Trial Balance - Healthy Care Provider, Inc.									
As of 12/31/20XX									
						Allocated Shared Costs			
				Direct Costs		Shared		Line Item	
						55.69% 44.31%			
Expenses:	Total Costs	Disallowed	NF 1	NF 2	Costs	NF 1	NF 2	NF 1	NF 2
Salaries									
Direct Care Nursing Staff	125,347.28				125,347.28	69,805.90	55,541.38	xxx	xxx
Dietary Staff	45,288.47		25,361.54	19,926.93	-	-	-	xxx	xxx
Administrative Staff	33,254.88		25,458.97	7,795.91	-	-	-	xxx	xxx
Housekeeping Staff	82,588.92		51,205.13	31,383.79	-	-	-	xxx	xxx
Contracted RN	65,000.00				65,000.00	36,198.50	28,801.50	xxx	xxx
FICA/Medicare	21,915.69		7,804.96	4,521.66	9,589.07	5,340.15	4,248.92	xxx	xxx
State & Federal Unemployment	5,156.63		1,270.51	554.46	3,331.66	1,855.40	1,476.26	xxx	xxx
Workers's Compensation	0.00		0.00	0.00	-	-	-	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,505.73	1,198.04	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,506.05	1,993.95	xxx	xxx
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,490.92	1,981.91	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,265.68	1,007.05	xxx	xxx
Office Supplies	1,501.80				1,501.80	836.35	665.45	xxx	xxx
Medical Supplies	874.64				874.64	487.09	387.55	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	698.35	555.65	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	585.23	465.64	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	33.54	26.69	xxx	xxx
Advertising	402.87	104.97			297.90	165.90	132.00	xxx	xxx
Miscellaneous	601.47	254.74			346.73	193.09	153.64	xxx	xxx
Totals	410,426.58	597.36	117,596.68	69,629.03	222,603.51	123,967.90	98,635.62		
Units of Service Allocation Percentages:		Units of Service	Percentage						
		9,961	55.69%						
		7,924	44.31%						
		17,885	100.00%						

# **RAD Approved Allocation Methods:**

## **Labor Costs**

All of a provider's contracts are

- *labor intensive, or*
- all contracts have a *programmatic or residential-building cost, or*
- contracts are *mixed* with some being *labor intensive* and others having a *programmatic-building or residential-building* component

# **RAD Approved Allocation Methods:**

## **Labor Costs**

### **The Five Cost Components of the Labor Costs Allocation Method:**

- **Salaries/Wages**
- **Payroll taxes**
- **Employee benefits/insurance**
- **Workers' compensation costs**
- **Contracted labor (excluding consultants)**

# Allocation Methods

## Labor Costs

**Finding the allocation percentage:**

- **Total of the five cost components for all contracts = 100%**
- **Divide each contract's labor costs by the total labor costs for all contracts. The result is a percentage for each contract**
- **Apply the resulting percentages to the total indirect shared costs**

**Allocation Summary - LABOR COST METHOD**

**Adjusted Trial Balance - Healthy Care Provider , Inc.  
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	Direct Costs			Shared Costs	Allocated Shared Costs			Line Item			
			NF1	NF2	Home Health		43.04%	30.36%	26.60%	NF1	NF2	Home Health	
Salaries													
Direct Care Staff	125,347.28					#####	53,949.47	38,055.43	33,342.38	xxx	xxx	xxx	
Dietary Staff	87,434.22	Labor Costs	87,434.22			-	-	-	-	xxx	xxx	xxx	
Housekeeping Staff	65,238.41			65,238.41		-	-	-	-	xxx	xxx	xxx	
Physical Therapists	54,975.15				54,975.15	-	-	-	-	xxx	xxx	xxx	
Supervisors	33,254.88			13,528.48	9,467.85	10,258.55	-	-	-	-	xxx	xxx	xxx
Maintenance Staff	4,572.08			4,572.08			-	-	-	-	xxx	xxx	xxx
CPR Instructor	2,500.00						2,500.00	1,076.00	759.00	665.00	xxx	xxx	xxx
FICA/Medicare	28,018.12			8,073.41	5,715.03	4,990.38	9,239.30	3,976.59	2,805.05	2,457.65	xxx	xxx	xxx
State & Federal Unemployment	6,592.50			2,524.07	1,494.13	978.51	1,595.79	686.83	484.48	424.48	xxx	xxx	xxx
Employee Benefits/Insurance	4,847.25			1,254.01	889.47	1,358.41	1,345.36	579.04	408.45	357.87	xxx	xxx	xxx
Workers' Compensation	0.00						-	-	-	-	xxx	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	860.80	607.20	532.00	xxx	xxx	xxx	
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	855.61	603.54	528.79	xxx	xxx	xxx	
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	739.58	521.69	457.08	xxx	xxx	xxx	
Office Supplies	1,501.80					1,501.80	646.37	455.95	399.48	xxx	xxx	xxx	
Medical Supplies	874.64				487.39	387.25	166.67	117.57	103.01	xxx	xxx	xxx	
Insurance - Malpractice	1,050.87					1,050.87	452.29	319.04	279.53	xxx	xxx	xxx	
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.56	2.51	2.20	xxx	xxx	xxx	
Advertising	402.87	104.97				297.90	128.22	90.44	79.24	xxx	xxx	xxx	
Miscellaneous	601.47	254.74				346.73	149.23	105.27	92.23	xxx	xxx	xxx	
Totals	438,553.35	564.36	122,627.82	87,361.70	78,672.64	#####	64,270.27	45,335.63	39,720.94				
<b>Labor Method Allocation Percentages:</b>		<b>Labor Costs</b>	<b>Percentage</b>										
		117,386.27	43.04%										
		82,804.89	30.36%										
		72,561.00	26.60%										
		272,752.16	100.00%										

# **RAD Approved Allocation Methods:**

## **Total-Cost-Less-Facility-Cost**

**The Total-Cost-Less-Facility-Cost allocation method can be used if a provider's contracts are mixed – some being *labor-intensive* and others having a *programmatic* or *residential building* component**

**This method can also be used for an organization that has multiple contracts all requiring a facility for service delivery**

**This method allocates costs based upon the ratio of each contract's total costs less that contract's facility or building costs to the provider's total costs less facility or building costs for all contracts**

# Allocation Methods

## Total-Cost-Less-Facility-Cost

The facility costs that are required to be removed from the total costs are identified in the “Facility Costs” section of the NF Cost Report. These costs include:

- Maintenance staff costs
- Building/Facility lease/rental costs
- Building/Facility equipment costs
- Insurance costs (buildings, contents, grounds)
- Mortgage interest costs
- Other facility/operations interest costs
- Ad valorem real estate tax
- Utilities costs (electricity, gas, water, wastewater, and garbage disposal)
- Maintenance and repairs costs (buildings, building equipment, grounds)
- Contract services costs (building/facility/operations)
- Depreciation/Amortization costs

# Allocation Methods

## Total-Cost-Less-Facility-Cost

Finding the allocation percentage:

- The total-cost-less-facility-cost for all contracts = 100%
- Divide each contract's total-cost-less-facility-cost by the total-cost-less-facility-cost for all contracts. The result is a percentage for each contract
- Apply the resulting percentages to the total indirect shared costs

**Allocation Summary - TOTAL COST LESS FACILITY COST**

**Adjusted Trial Balance - Healthy Care Provider, Inc.**

**As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	Direct Costs			Allocated Shared Costs		Line Item	
			NF1	Adult Day Care DAHS	Shared Costs	57.22% NF1	42.78% DAHS	NF1	DAHS
Salaries									
Administrative	125,347.28				125,347.28	71,723.71	53,623.57	xxx	xxx
Direct Care Staff	87,434.22		87,434.22		-	-	-	xxx	xxx
Adult Day Care Attendants	33,254.88			33,254.88	-	-	-	xxx	xxx
Adult Day Care Drivers	25,492.12			25,492.12	-	-	-	xxx	xxx
Contracted Nurse	9,482.66			9,482.66	-	-	-	xxx	xxx
FICA/Medicare	18,821.78		8,843.84	5,219.57	4,758.37	2,722.74	2,035.63	xxx	xxx
State & Federal Unemployment	4,428.65		2,822.33	665.10	941.23	538.57	402.66	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,547.10	1,156.67	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,574.90	1,925.10	xxx	xxx
Utilities	8,945.67	<b>Facility Costs</b>	2,385.51	2,087.32	4,472.84	2,559.36	1,913.48	xxx	xxx
Ad Valorem Taxes	3,256.88		842.64	1,834.64	579.60	331.65	247.95	xxx	xxx
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	319.76	239.06	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,300.46	972.27	xxx	xxx
Office Supplies	1,501.80				1,501.80	859.33	642.47	xxx	xxx
Medical Supplies	874.64				874.64	500.47	374.17	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	717.54	536.46	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	601.31	449.56	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	34.46	25.77	xxx	xxx
Advertising	402.87	104.97			297.90	170.46	127.44	xxx	xxx
Miscellaneous	601.47	254.74			346.73	198.40	148.33	xxx	xxx
<b>Totals</b>	<b>341,239.93</b>	<b>597.36</b>	<b>106,684.84</b>	<b>82,436.92</b>	<b>151,520.81</b>	<b>86,700.21</b>	<b>64,820.60</b>		
Total Costs-Less-Facility-Costs Allocation Percentages:									
			NF1	DAHS	Totals				
Total Healthy Care Costs			106,684.84	82,436.92	189,121.76				
Total Healthy Care Facility Costs			5,874.40	7,063.63	12,938.03				
Total Healthy Care Costs Less Facility Costs			100,810.44	75,373.29	176,183.73				
Allocation Percentages			57.22%	42.78%	100.00%				

# **RAD Approved Allocation Methods:**

## **Cost-to-Cost**

**If allocations based on units of service are not acceptable, and all of a provider's contracts are *labor-intensive*, or if all contracts have *programmatic* or *residential building* costs, the provider may choose to allocate their indirect shared costs on a Cost-to-Cost basis.**

**The Cost-to-Cost method allocates costs based upon the percentage of each contract's directly charged costs to the total directly charged costs for all contracts.**

**The Cost-to Cost method includes facility and operations costs.**

# Allocation Methods

## Cost-to-Cost

Finding the allocation percentage:

- Total directly charged costs for all contracts = 100%
- Divide each contract's directly charged costs by the total directly charged costs for all contracts. The result is a percentage for each contract
- Apply the resulting percentages to the total indirect shared costs



# **RAD Approved Allocation Methods:**

## **Salaries**

**If allocations based on units of service are not acceptable, and all of a provider's contracts are *labor-intensive*, or if all contracts have *programmatic* or *residential building* costs, the provider may choose to allocate their indirect shared costs on the basis of salaries.**

**The Salaries method allocates costs based upon the percentage of each contract's salaries to the total salaries for all contracts.**

# **RAD Approved Allocation Methods:**

## **Salaries**

**The two cost components of the salaries allocation method:**

- **Salaries/wages**
- **Contracted labor (excluding consultants)**

**In the cost component above, the term “salaries” does not include the following costs associated with the salaries/wages of employees:**

- **Payroll taxes**
- **Employee benefits/insurance**
- **Workers’ compensation**

# Allocation Methods

## Salaries

**Finding the allocation percentage:**

- **Total of the two Salaries cost components for all contracts = 100%**
- **Divide each contract's directly charged salaries by the total directly charged salaries for all contracts. The result is a percentage for each contract**
- **Apply the resulting percentages to the total indirect shared costs**

**Allocation Summary - SALARIES METHOD**

**Adjusted Trial Balance - Healthy Care Provider, Inc.  
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	Direct Costs			Shared Costs	Allocated Shared Costs			Line Item		
			NF1	NF2	DAHS		22.87%	50.59%	26.54%	Lake NF1	River NF2	Ocean DAHS
Salaries												
Administrative	125,347.28					125,347.28	28,666.92	63,413.19	33,267.17	xxx	xxx	xxx
Direct Care Staff	87,434.22		19,286.35	46,289.32	21,858.55	-	-	-	-	xxx	xxx	xxx
Drivers	44,295.84		10,352.45	22,576.36	11,367.03	-	-	-	-	xxx	xxx	xxx
Housekeeping Staff	54,975.15	<b>Salary</b>	12,094.53	29,136.83	13,743.79	-	-	-	-	xxx	xxx	xxx
Contracted RN	70,000.00		15,299.99	28,145.20	19,221.57	7,333.24	1,677.11	3,709.89	1,946.24	xxx	xxx	xxx
Dietitian	2,400.00					2,400.00	548.88	1,214.16	636.96	xxx	xxx	xxx
FICA/Medicare	28,018.12		7,723.65	5,715.03	5,009.49	9,569.95	2,188.65	4,841.44	2,539.86	xxx	xxx	xxx
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	364.96	807.31	423.52	xxx	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	1,358.41	1,345.36	307.68	680.62	357.06	xxx	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	457.40	1,011.80	530.80	xxx	xxx	xxx
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	454.64	1,005.69	527.60	xxx	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	392.99	869.32	456.05	xxx	xxx	xxx
Office Supplies	1,501.80					1,501.80	343.46	759.76	398.58	xxx	xxx	xxx
Medical Supplies	874.64				487.39	387.25	88.56	195.91	102.78	xxx	xxx	xxx
Insurance - General Liability	1,254.00					1,254.00	286.79	634.40	332.81	xxx	xxx	xxx
Insurance - Malpractice	1,050.87					1,050.87	240.33	531.64	278.90	xxx	xxx	xxx
Travel	387.98	204.65	54.36	35.74	84.97	8.26	1.89	4.18	2.19	xxx	xxx	xxx
Advertising	402.87	104.97				297.90	68.13	150.71	79.06	xxx	xxx	xxx
Miscellaneous	601.47	254.74				346.73	79.30	175.41	92.02	xxx	xxx	xxx
<b>Totals</b>	<b>450,937.82</b>	<b>564.36</b>	<b>73,776.60</b>	<b>138,803.15</b>	<b>79,648.99</b>	<b>158,144.72</b>	<b>36,167.70</b>	<b>80,005.41</b>	<b>41,971.61</b>			
<b>Salary Method Allocation Percentages:</b>	<b>Salary Costs</b>	<b>Percentage</b>										
Total Healthy Care NF1	57,033.32	22.87%										
Total Healthy Care NF2	126,147.71	50.59%										
Total Healthy Care DAHS	66,190.94	26.54%										
	249,371.97	100.00%										

# Allocation Methods

## Functional Allocation Methods

**Any function benefiting more than one contract must have all costs associated with that shared function properly allocated across all the contracts receiving its benefit**

# Allocation Methods

## Functional Allocation Methods

**Costs to be allocated using functional allocation methods could include but are not limited to:**

- Housekeeping
- Laundry
- Maintenance
- Wastewater treatment plant
- Security
- Activities
- Transportation
- Departmental equipment
- Various administrative functions

# **Allocation Methods**

## **Functional Allocation Methods**

### **Examples:**

- **Laundry – number of loads**
- **Maintenance – work orders**
- **Activities – resident attendance records**
- **Transportation – mileage logs**

# Allocation Methods

## Functional Allocation Methods: Square Footage

When a building is shared and usage is separate and distinct for each contract, the building costs should be identified and then allocated based upon square footage

Expenses to be allocated based upon square footage:

- Rent / Depreciation
- Mortgage Interest
- Utilities
- Maintenance
- Property Taxes
- Insurance



Telecommunications, Transportation and Departmental Equipment cannot be allocated based on square footage



# Allocation Methods

## Allocation Summary Documentation

**Adequate documentation consists of a written description of each cost allocation method that includes the following:**

- A listing of the various cost categories to be allocated
- The numerator and denominator of the allocation ratio in numbers and words
- Allocation percentages calculated with at least two decimal places
- The total dollar amount of shared costs for each category
- The application of the allocation percentages showing 100% allocation of shared costs
- The cost report line number on which each allocated cost is reported

# **Time Sheets and Time Studies**

# Time Sheets and Time Studies

Hours worked by each employee or contracted individual must be documented. The type of required documentation will differ depending on whether the work performed is administrative or direct care.

In the NF program, direct care includes CNAs, Restorative Aides, Medication Aides, GVN's, LVN's, and RN's.



# Time Studies

**Costs associated with administrative staff who do not deliver any direct client services can be allocated based upon time sheets maintained during a “time study”, a functional method, or one of the approved allocation methods.**

**For example: A time study could be used to allocate the compensation of an employee who is responsible for billing and payroll functions for an NF contract, an RC/AL contract and a DAHS contract.**

# Time Studies

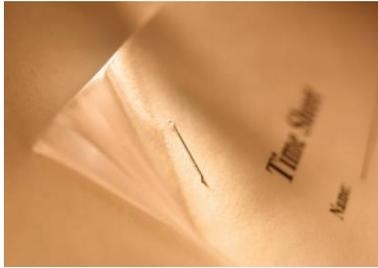
**Time studies are acceptable ONLY for allocating costs associated with administrative staff who perform ONLY administrative functions**

**Time studies are not acceptable for allocating the hours worked by non-administrative staff.**

# Who Must Complete Time Sheets:

## **Any staff whose duties include:**

- multiple direct service types,**
- both direct and indirect service component types, and/or**
- both direct hands-on support and first-level supervision of direct care workers.**



# Time Sheets

**A daily time sheet must be continuous, that is, it must include actual start time, stop time and ALL hours worked for the entity for the entire reporting period.**

**For example:**

**If an employee serves as an RN and Medical Records for an NF program, 100% timesheets must be maintained to document all time and directly charge the time spent functioning as an RN.**

# Time Sheet Requirements

- Employee Name
- Date
- Start and Stop Time
- Total Hours Worked
- Time worked providing direct services in the program (in increments of 30 minutes or less)
- Time worked performing other functions
- Paid time off
- Appropriate Signatures and Dates



# DAILY TIME SHEET

EMPLOYEE NAME June Smith

DATE 08/10/15

TIME(hh:mm)		CONSUMER NAME	DUTIES/ACTIVITIES PERFORMED	LOC.	NF			ICF/IID				INDIRECT / SHARED TIME
BEGIN	END				ADMIN	RN	SUPERVISORY	RN DUTY	ADMIN	DIRECT CARE		
8:00 AM	8:30 AM		Travel to Provide Nursing service			.5						
8:30 AM	9:30 AM		Skilled Nursing			1						
9:30 AM	9:45 AM		Travel to Supervisory Visit	LP			.25					
9:45 AM	11:15 AM		Supervisory Visit for Home	LP			1.5					
11:15 AM	11:45 AM	Adams, J.	Travel to Nursing Visit	SW				.5				
11:45 AM	12:30 PM	Adams, J.	Skilled Nursing	SW				.75				
12:30 PM	1:00 PM		Travel Back to Office	SW				.5				
1:00 PM	1:30 PM		Lunch									
1:30 PM	2:30 PM	Lee, M	Phone Calls RE: resident needs		1							
2:30 PM	3:15 PM		Travel to provide nursing service			.75						
3:15 PM	4:00 PM	Hall, J.	Skilled Nursing			.75						
4:00 PM	4:30 PM		Annual Leave / Vacation									.5

DAILY SUMMARY BY PROGRAM/SERVICE TYPE						
PROGRAM	CONTRACT #	Sup	RN/DC	Admin	Indirect	
NF		2.25	.75	1		
ICF LP	700056	1.75				
ICF LP	706569		1.75			
ICF LP	N/A				.5	
<b>TOTAL for the DAY</b>		<b>4</b>	<b>2.5</b>	<b>1</b>	<b>.5</b>	<b>8.0</b>

Signature: June Smith

Date: August 10, 2015

Supervisor Signature: Mary Jones

Date: August 15, 2015

# Direct Care Staff Costs



**It is fraudulent to claim administrative hours or clerical hours and costs as direct care.**

# Direct Care Staff Costs

**Direct Care staff are reported separately for  
Medicaid Contracted and  
Non-Medicaid Contracted Beds for:**

- RNs
- LVNs
- Medication Aides
- Restorative Aides
- Certified Nurse Aides

# Other Resident Care Staff & Consultants

- **Other Resident Care Staff**
- **Certified Social Workers**
- **Social Service Assistants**
- **Activity Director and Assistants**
- **Resident Care Training Staff**
- **Central Supply & Medical Records Staff**
- **Laundry and Housekeeping Staff**
- **Other**
- **Medical Director**
- **Pharmacist**

# Descriptions

**Some items may require you to enter more information in the Notes Section.**

## **Items requesting description**

- Itemize cost by:**
  - Describe the cost**
  - Include amount for that described costs**

# Other Resident Care Expenses

Supplies: Step 8f, costs include:

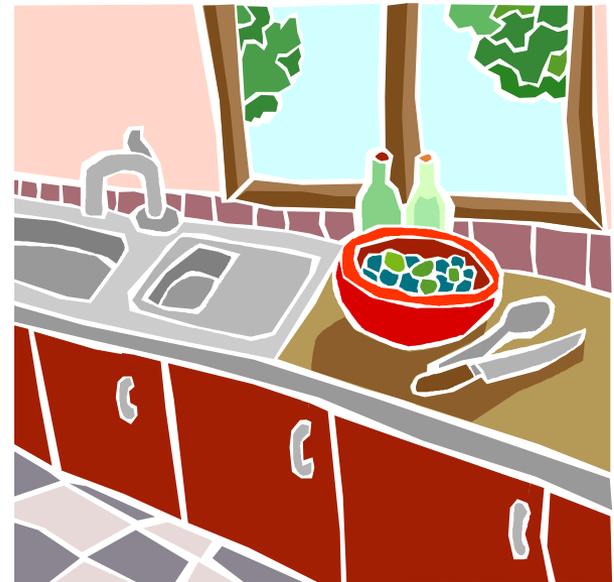
Include:



- **Television cable, ONLY if available to all residents,**
- **Newspaper and magazine subscriptions for resident use,**
- **Activities/recreation for residents ONLY if staff is present and the activity is purposeful and interactive,**
- **Veterinary and other necessary expenses for pets housed in the facility for the enjoyment of residents**

# DIETARY CARE COSTS

Page 60 of the instructions gives detailed information on Allocation of Shared Dietary/Central Kitchen Expenses.



## Step 8f:

### Facility – Repair vs. Contract

**Repairs** – routine or non-routine repairs that are not included in a signed contract with the contractor.

**Contract Services** – routine or non-routine repairs that are included in a signed contract with the contractor.

Both are for costs pertaining to the facility building itself and grounds.

# Association Dues and Don'ts

Texas Healthcare Association (THCA)

For profit

American Healthcare Association (AHCA)

For profit

LeadingAge Texas (formerly Texas Association and Home Services for the Aging)

Not for profit

# Lobbying Costs in Dues

Any and all costs for lobbying are unallowable costs.

Associations Dues include costs for lobbying cost and must be removed from the cost report.

A lobbying percentage is usually noted on the dues invoice if a direct charge is not noted.

## **Central Office - Association dues – Step 8f**

**Rule remains the same for central office costs as the administration costs. NO LOBBYING costs are allowable in any section of the cost report.**

# **PROPERTY VALUES**

**Appraised property values (Step 8a) are used by HHSC in rate calculation.**

**Critical that each facility report up-to-date appraised value information.**

# **PROPERTY VALUES**

**A report submitted without required documentation will not be processed until it is received and can result in the report being returned as unacceptable.**

**All facilities, both proprietary and tax exempt, must report appraised property values. See waiver for governmental entities (Step 8a).**



**For Those Participating in the  
Direct Care Staffing and  
Compensation “Rate  
Enhancement” Program**



# Nursing Facility Staffing Requirements

- Agree to maintain an average of one additional LVN-equivalent minute above the minimum staffing levels for each additional enhancement level
- Minimum staffing levels are based on a state wide average and expressed in terms of Licensed Vocational Nurse (LVN) equivalent minutes
- Adjusted for each facility's case mix
- Participation is voluntary



# Nursing Facility Spending Requirement

- Participants are subject to recoupment of unexpended funds below 85% of Direct Care Staff Compensation component revenues
- May be offset by excess allowable costs in Dietary and Fixed Capital components of Medicaid rates
- May mitigate staffing recoupments to the extent that the enhanced funds are expended on direct care nursing staff – also know as “Purchasing of Minutes”

# Participants:

- Once you've completed your cost report, it's to your benefit to complete the **optional worksheets** to find out if you face a recoupment.
- **Don't submit these to RAD.** They are optional, but they are valuable.
- We recommend you complete them on a regular basis throughout the year to be sure you're on track with meeting your spending requirement.
- They are in Excel so that you can download a working file from our website.

# **Annual Staffing And Compensation Information**

Report the Days of Service for the time period for which you are completing the cost report in Step 5b.

Reporting Periods listed on the Report:

- **2/1/14 – 8/31/14**
- **9/1/14 – 8/31/15**
- **9/1/15 – 12/31/15**

# Rate Enhancement Worksheets

- Use to calculate maximum potential recoupment.
  - Remember that actual recoupment will not drop a provider below the nonparticipant level.
- Use periodically to check if you are meeting your spending requirement.



# Steps to Find Rate Enhancement Worksheets

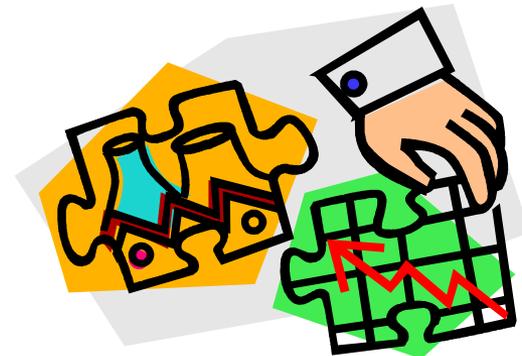
1. Go to the Rate Analysis website at:  
<http://www.hhsc.state.tx.us/rad>.
2. Click on “Long-Term Services and Supports”.
3. Click on your “Nursing Facility” under “Services”.
4. Under the heading “Reporting Information,” click on “View 2015 Cost Reporting Information”.
5. In the list of documents, click on the link  
“Cost Report Worksheets and Worksheet Instructions”

# Rate Enhancement Worksheets

- Notice there are multiple tabs in the worksheet. Be sure you fill out each one that is applicable to your business.
- Take the information from your STAIRS Cost Report and input in the worksheet.
- The worksheet will identify the Step and line item from which to get the information in STAIRS to report on the worksheet.

# General Information

- The accrual method of accounting must be used UNLESS the provider is a governmental entity. **NO EXCEPTIONS**
- A reconciliation worksheet between the report and the trial balance is a critical item to the preparation of the report. This should always be prepared.



# Before You Begin

- Review your ledger for unallowable costs and costs that require allocation.
- Adjust for accruals.
- Prepare the reconciliation worksheet and allocation summaries.
- Gather information on your depreciable assets.



# Organization of the Cost Report



## Reporting Categories

- Combined Entity and Provider Information
- Units/Days of Service and Revenues
- Wages and Compensation
- Payroll Taxes and Workers' Compensation
- Facility and Operations
- Verification Summary and Certifications
- Agree/Disagree and Informal Review

# Entity and Provider Information

- Designation of **Entity Contact** (name must be same as DADS-Authorized Signatory — check at <http://www.dads.state.tx.us/providers/nf/signatories.cfm>)
- Roles and Designation of Preparer(s) and Other Contacts
- Management of Contracts
  - If you're going to allocate to it, it needs to be in your contracts list (Step 3)
- Dates and the importance thereof

**Steps 1-4**

**Entering the  
System and  
Starting the Report**



# STAIRS

## State of Texas Automated Information and Reporting System

- The first person at a contracted provider to receive access to STAIRS is the **Entity Contact (Primary)**
- Notification of access, and of the login and password, will be by e-mail to the e-mail address in CARE.



## STAIRS – Dashboard

- The **Entity Contact (Primary)** logs into the system and sets up other users.
- First screen is the **Dashboard**. From here the Entity Contact can edit their own information, add roles for themselves or others, edit the information of other contacts.
- This screen also contains a link to **Training** registration

# STAIRS – Manage Contacts

- Click on **Manage**, to the right on the bar at the top.
- Links to **add a new contact** or preparer are at the top of the page
- The person doing entry will need to have the new contact's First/Last Name and E-mail. If the person is to be connected to multiple programs, this step will need to be completed once for each program.

# STAIRS – Manage Contacts, continued

- Click on **Add a new contact**
  - Additional Entity Contacts and Financial Contacts can be added at this time.
  - **Initial Entity Contact (Primary)** can then edit the **Entity Contact (Secondary)** to make that person the new Entity Contact (Primary) if the initial person is not going to hold that role. Once that is done, the initial Entity Contact (Primary) becomes (Secondary) and can no longer add or edit roles and can only edit his/her own information.

# STAIRS – Manage Contacts, continued

- Preparer – determine who will be preparing your cost report
- Click on Add NF preparer
- Search by name and check that the person is on the drop-down list to choose as the Preparer in STAIRS.

# STAIRS - Roles

- **Entity Contact** can set up all other user types and additional Entity Contacts. Can review the cost report. Must sign the Cost Report Certification.
- **Preparer** can set up *other* Preparers. This is the only role that can make entries into the cost report. Must sign the Methodology Certification. Cannot sign the Cost Report Certification.

# STAIRS – Roles, continued

**Financial Contact** can set up Preparers and other Financial Contacts. Can review the cost report. Can sign and upload the Cost Report Certification.

Detailed information can be found in the document titled “**Managing Contacts Processing Procedures**” in the Reference Materials section at the bottom of every page in STAIRS. A person can hold more than one role.

# STAIRS – Cost Reporting

## Steps 1-4 Combined and Contracting Entity

- **Combined Entity** - one or more commonly owned corporations and/or limited partnerships where the general partner is controlled by the same identical persons as the commonly owned corporation(s). May involve an additional ***CONTROLLING ENTITY*** which owns all members of the combined entity.
- **Contracting Entity** - The business component with which Medicaid contracts for the provision of the Medicaid services included on this cost report.

# STAIRS – Combined Entity Data, Steps 1-2

- **Combined Entity Identification** – all contacts must have information edited.
- **General Information** – Combined Entity reporting dates
  - Probably, but not necessarily, the same as contracting entity
  - Pre-populated. Any correction requires communication with RAD.

# STAIRS – Combined Entity Data, Step 3

## Contract Management

- Verify Cost Report **Group Code** – assure that all cost reporting groups that are within the entire related organization are included
- Enter all **other Contracts, Grants or Business Relationships with the State of Texas or any other Entity** – this means everything connected with the entire related organization.

# **STAIRS – Contracting Entity Financial Data,**

## ***Step 4***

### **General Information**

- Correctly identify the ownership of the contracting entity
- Dates prepopulated
- Rate Enhancement Participation questions prepopulated
- Questions regarding preparation to complete the report

# **Step 5**

**Days/Units of  
Service Screens**

# Days of Service and Revenues

- **One Day of Service** means service for one resident for one day.
- Date of Admittance = one day.
- Date of discharge day is not included.
- “Room holds” or “bed holds” are NOT days of service.

# **Step 6**

## **Wages & Compensation Screens**

# Wages and Compensation

- *Step 6a* - General Information
- *Step 6b* - Related Party
- *Step 6c* - Direct Care Staff
- *Step 6d* - Non-Direct Care Staff
- *Step 6e* – Administrative & Operations Personnel



# Wages and Compensation

## Reporting Staff Time and Cost

**HOURS** = Hours worked in order to earn the wages/compensation reported on corresponding line item



**NOTE:** Hours reported will not necessarily be the same as what the provider billed or was reimbursed for. Hours on these line items should come directly from payroll records, not billing information.

# Wages and Compensation

## Reporting Staff Time and Cost

### Allowable Compensation That Must Be Direct Costed

- Salaries/Wages:
  - Regular Paid Hours
  - Overtime
  - Bonuses
  - Cash Incentives/Awards
- Paid Leave (e.g., sick, vacation, jury, etc.)
- Accrued Vacation, Accrued Sick Leave



# Wages and Compensation

## Reporting Staff Time and Cost

Allowable Compensation That Must Be

**Direct Costed** (continued)

### - **Employer-Paid Benefits/Insurance:**

- Premiums for Health/Medical/Dental, Life Insurance, Disability Insurance
- Contributions to acceptable retirement funds/pension plans and deferred compensation funds
- Employer-Paid Child Day Care

# Wages and Compensation

## Reporting Staff Time and Cost

### Steps 6c, 6d, 6e

## Allowable Compensation That Must Be Direct Costed (continued)

- Mileage Reimbursement

**1/1/2015 – 12/31/2015 = 57.5¢**

May be less than the maximum, based on provider's policy, but may never be greater.

# Wages and Compensation

## Reporting Staff Time and Cost

### Allowable Travel and Transportation – *Step 6c*

- Transport individuals to/from program services and activities in personal vehicle
- Use personal vehicle to attend allowable training



# Wages and Compensation

## Reporting Staff Time and Cost

Compensation That Can Be Direct Costed or Allocated by Functional Method



- Employer-Paid Health/ Medical/Dental Paid Claims
- Employer-Paid Disability Paid Claims

# **Step 7**

## **Payroll Taxes and Workers' Compensation Screen**

# Payroll Taxes and Workers' Compensation

## Step 7 - Payroll Taxes and Workers' Compensation

- Section 125 or Cafeteria Plan?
- Texas Workforce Commission Reimbursing Employer?
- Taxes and Workers' Compensation reported as
  - Non-Central Office
  - Central Office



# **Step 8**

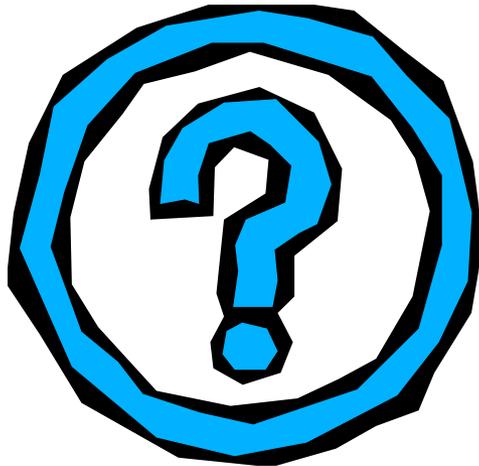
## **Facility and Operations Screens**

# Facility and Operations Organization

- *Step 8a* - General Information
- *Steps 8b-8d* - Related Party Transactions
  - All purchases of supplies or services and loans from a related party
- *Step 8e* - Assets and Depreciation
  - All assets, related-party purchases of capital items and related-party leases
- *Step 8f* - Operations Expenses

# Facility and Operations

## *Step 8a* General Information



- Questions about asset and operations Self Insurance
- Questions to unlock Related Party transaction reporting

# Facility and Operations Cost

## *Steps 8b-8d* Entering Related-party Transactions

- Noncapital purchases, loans and services
- Important to remember:
  - Related-party transactions are reported at the cost to the related party – not the expense on the books of the provider

Click “Save” to select the report(s) and cost area(s) for each transaction.



# Facility and Operations Cost

- Do your **allocations** in your **work papers** and enter only the values here.
- If you allocate between Cost Areas or to more than one Business Component, you **MUST upload allocation methodology work papers.**



# Facility and Operations Cost

## *Step 8e* Entering Depreciable Assets and Related-party Leases

- Not many assets: it's easier to enter them all by hand.
- A large number of assets: **import** to save time.

Before beginning asset entry, look at the information that's required and make sure you have all necessary information collected on each asset to be entered.

# Facility and Operations Cost

## ***Step 8e*** Entering Depreciable Assets and Related-party Leases

Line items that are completed through this step:

- Depreciation – Buildings & Building Improvements, Building Fixed Eqpt., Leasehold and Land Improvements, Other Amortization
- Depreciation – Departmental Eqpt.
- Depreciation – Transportation Eqpt.

# Facility and Operations Cost

## *Step 8e* Entering Depreciable Assets and Related-party Leases

Line items that are completed through this step (cont.):

- Rent/Lease from a related party
- Building and Building Eqpt.
- Departmental Eqpt
- Transportation Eqpt.



# Facility and Operations Cost

## ***Step 8e*** Entering Depreciable Assets and Related-party Leases

- **Asset** – this is actually the line item the depreciation expense will be reported in.
- **Asset description** – this drives the useful life and other requested information
- **Historical Cost** – cost to acquire and prepare for use. Do not include either goodwill or land cost.

# Facility and Operations Cost

## *Step 8e* Entering Depreciable Assets and Related-party Leases

Click “**Save**” to select the report(s) and cost area(s) to allocate each asset.

This must be entered manually for all assets, including assets that were imported.

# Facility and Operations Cost

## *Step 8f* All Other F&O Expenses

Directly entered for nonrelated-party transactions:

- **Rent/Lease** – Building and Building Equipment
- **Rent/Lease** – Departmental Equipment/Other
- **Interest** – Mortgage
- **Insurance** – Building and Equipment
- **Taxes** – Ad Valorem Real Estate
- **Rent/Lease** – Transportation Equipment or Contracted Transportation

# Facility and Operations Cost

## *Step 8f* All Other F&O Expenses

### Other expenses

- **Utilities & Telecommunications**
- **Building/Equipment** – Contracted Services and Maintenance and Repairs
- **Transportation** – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other



- **Liability Insurance**



# Facility and Operations Cost

## *Step 8f* All Other F&O Expenses



### More expenses

- Staff Training/Seminars
- Travel (not to include mileage reimbursement)



# Facility and Operations Cost

## *Step 8f* All Other F&O Expenses

Program Administration and Operations and Central Office:

- **Fees** – Management Contract
- **Fees** – Contracted Administrative, Professional, Consulting and Training
- **Licenses and Permits**
- **Taxes** – Texas Corporate Franchise Tax
- **Taxes** – Other (describe)
- **Advertising**
- **Dues and Memberships**

**Steps 9, 10 & 11**

**Verification and  
Certifications**

# Verification Summary and Certifications

- The **final summary** shows everything entered into the cost report.
- The preparer is required to verify his/her entries.

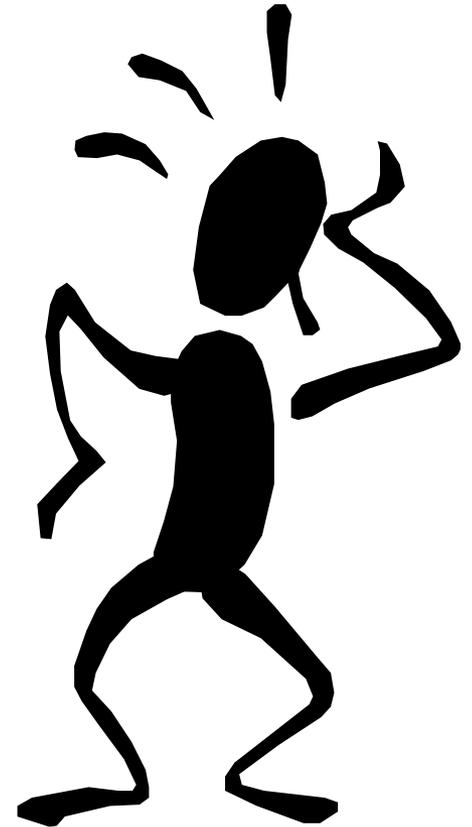


- There are two certifications:
  - 1) Methodology
  - 2) Cost Report

Both must be signed, notarized and uploaded into STAIRS in order for the report to be submitted.

# Verification and Certification

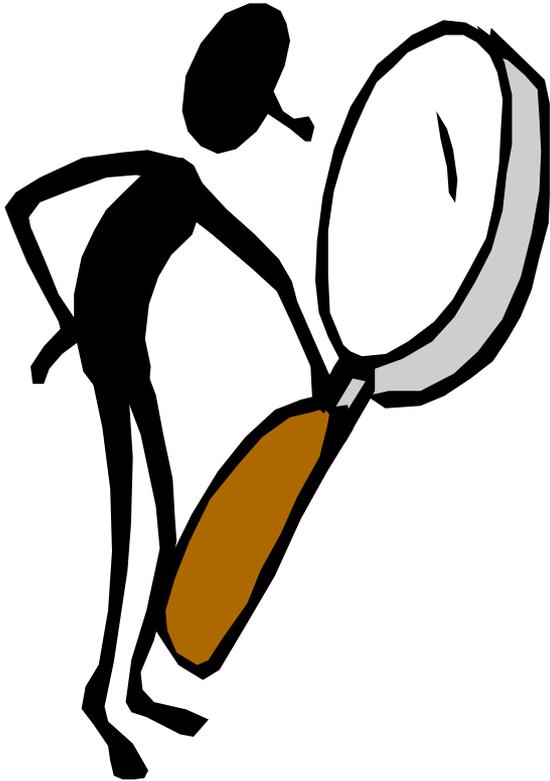
- Once you have verified your information and printed the certifications, *the cost report is **locked** to any further changes.*
- If you realize that something was omitted and you need to access your data again or upload an additional document, you will need to contact your Rate Analyst to assist with getting the report re-opened.



**Step 12**

**Provider  
Adjustments  
Report**

# Provider Adjustments Report



## Report Shows:

- Changes made to original values
- Adjusted amount
- Reason for the adjustment
- Summary Table at bottom of report
- Review Period Expiration date

**Step 13**

**Agree / Disagree**

**Step 14**

**Informal Review**

# Agree/Disagree

- Completed by individual **legally responsible** for conduct of contracted provider
- Designated in STAIRS with “Entity Contact” or “Financial Contact” role
- **Agree** = Finalizes this cost report.



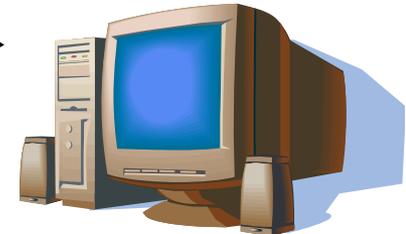
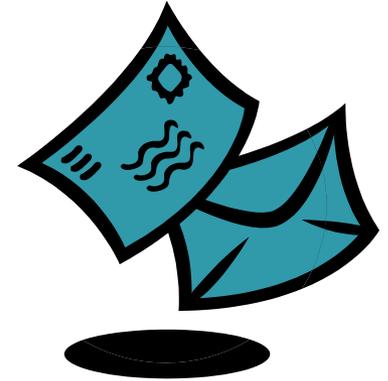
# Agree/Disagree

- **Disagree** = Informal Review (IR) request
- IR – must be received no later than 30 calendar days from adjustments notification
- Extension to file IR – within 30 days from notification; provides 15 additional days (total of 45 days)

# Disagree

## Informal Review:

- Written request
- Signed by individual legally responsible for the conduct of the requesting entity



# Informal Review

- After HHSC staff has completed the IR, provider will be notified and can see the adjustments via Step 14.
- Any further actions, such as a formal appeal, will not be handled in STAIRS.



# **2015 Nursing Facility COST REPORT is due**

**April 30, 2016**  
*(Saturday)*



# Resources

The following resources are available to you on our website:

## Rate Analysis Website:

<http://www.hhsc.state.tx.us/rad/long-term-svcs/>

- *Specific Instructions* for Preparation of the Cost Report in STAIRS
- Links to the Texas Administrative Code
- Contact numbers for Fairbanks and RAD staff

# **Nursing Facilities RATE ANALYSTS**

**For Rate Enhancement questions:**

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**For Liability Insurance questions:**

**Brian King, NF Rate Analyst**

**(512) 707-6074**

**brian.king@hhsc.state.tx.us**

The End.

