SPECIFIC INSTRUCTIONS
for completion of the
2012
CPC COST REPORT

FOR ASSISTANCE WITH:

Completing the cost report, contact the Rate Analyst for your program. Contact information is on the Rate Analysis web page at http://www.hhsc.state.tx.us/rad/long-term-svcs/contacts.shtml.

Receipt of the cost report:
HHSC RAD. Phone: (512) 491-1381, E-mail: luis.aleman@hhsc.state.tx.us

Cost Report Groups assigned to provider's entity:
HHSC RAD. Phone: (512) 491-1464, E-mail: victor.perez@hhsc.state.tx.us

Cost report Preparers or the list of trained Preparers:
HHSC RAD. Phone: (512) 491-1448, E-mail: costinformation@hhsc.state.tx.us

Adding Contacts or problems with your State of Texas Automated Information Reporting System (STAIRS) Username or Password:
Fairbanks, LLC. Phone: (877) 354-3831, E-mail: info@fairbanksllc.com

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TEXAS HEALTH AND HUMAN SERVICES COMMISSION

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Welcome to Preparing Cost Reports in the STATE OF TEXAS AUTOMATED INFORMATION REPORTING SYSTEM (STAIRS)

This year, the Texas Health and Human Services Commission (HHSC) Rate Analysis Department (RAD) is excited to implement cost reporting for the Community Based Alternatives (CBA), Primary Home Care (PHC) and Community Living Assistance and Support Services (CLASS) Case Management Agency (CMA) and Direct Service Agency (DSA) programs in the web-based system for long-term care Medicaid cost reporting in the State of Texas: STAIRS.

With the implementation in STAIRS, HHSC is combining the cost reports for these four programs into a single report – the CPC Cost Report. The contracts for each legal entity will be grouped into one or more CPC Cost Reports depending on rate enhancement participation level (if applicable), cost reporting period and other factors. HHSC RAD will assign each group of contracts a Cost Report Group Code. The CPC Cost Report Group may include contracts from more than one of the programs included in the CPC Cost Report. This grouping information will be detailed for the legal entity in STAIRS.

Because it includes all four programs, the CPC Cost Report will eliminate the need for allocations for some contracting entities, and will reduce the number for many others. Some examples of costs that may no longer require allocations include: Nursing salaries and contracted payments when there is a CBA and a CLASS DSA contract; building costs (mortgage, taxes, utilities, etc.) when a CBA and PHC contract share a building; and payroll taxes when there is a CLASS CMA and a PHC contract.

With the CPC Cost Report, most of the cost reporting processes with which preparers have been familiar will be changing. It is very important that you, as a preparer, read these instructions carefully. Here are some of the major changes:

- No paperwork will be mailed – the entire cost report submission is electronic. All supporting documentation and certification pages will be scanned and uploaded. See APPENDIX A – Uploading Documents into STAIRS. Appendix A includes instructions for those who do not own a scanner. There are also instructions for those wishing to import certain portions of their data directly into STAIRS. See APPENDIX F – Importing Data into STAIRS.

- The system will remember certain types of data from year to year. For these types of data, such as depreciation schedules, you will enter or import the data in this initial year and, in future years, you will only have to verify that nothing has changed, make required changes and/or add new information.

- There will no longer be schedules attached to the cost report. Information formerly provided on schedules is incorporated in the report itself, with the system doing the calculations and transferring the information to the designated cost items. If a provider does not own property or purchase or lease from or employ related parties, then sections of the cost report related to those issues will not require entries for that provider's report.

Although this is not a mandatory cost report training year, preparers who attended cost report training for the 2011 cost reports are strongly encouraged to attend one of the special STAIRS classroom-based

or webinar training sessions in late January – mid-March to learn the use of the STAIRS system. Information about scheduled STAIRS training sessions is available on the Rate Analysis website at:

http://www.hhsc.state.tx.us/rad/long-term-svcs/cr-training.shtml

The provider's designated Primary Entity Contact can access STAIRS via the links given in the e-mail notifying them of their login ID and password. If the provider's Primary Entity Contact has not received an e-mail with their login information, they should contact costinformation@hhsc.state.tx.us. Preparers can only access STAIRS if they have been designated as the Preparer by the Primary Entity Contact and have received an e-mail notifying them of their login ID and password for STAIRS.

Contacts and preparers who have accessed STAIRS for an ICF/IID or HCS/TxHmL cost report will use the same login ID and password for the CPC Cost Report.

PURPOSE

The purpose of a Medicaid Cost Report is to gather financial and statistical information for HHSC to use in developing reimbursement rates. Some cost reports are also used in the determination of accountability under the Attendant Compensation Rate Enhancement program.

WHO MUST COMPLETE THIS REPORT?

Any CBA, PHC, CLASS CMA or CLASS DSA provider that is enrolled in Attendant Compensation Rate Enhancement as described in §355.112 during its fiscal year ending in 2012 is required to complete and submit a 2012 CPC Cost Report. The only exception to this requirement is if the provider did not provide any billable attendant services to DADS recipients during the reporting period.

Providers with more than one CBA, PHC, CLASS CMA or CLASS DSA contract must file cost reports according to the assigned Cost Report Group.
A provider that is not enrolled in Attendant Compensation Rate Enhancement during the reporting period for the cost report in question must complete and submit a 2012 CPC Cost Report for each CBA, PHC, CLASS CMA and CLASS DSA contract unless excused from the requirement to submit a cost report based on meeting one or more of the following conditions:

- No services were provided during the reporting period
- Circumstances beyond the control of the provider make cost-report completion impossible (i.e., a natural disaster has destroyed financial records)
- The number of days between the date the first DADS client received services and the provider's fiscal year end is 30 days or less
-

Contact your Rate Analyst to determine if you qualify for an excusal.

GENERAL

This cost report is governed by the following rules and instructions.

- Cost Determination Process Rules at Title 1 of the Texas Administrative Code (TAC) §§355.101-355.110;
- CBA program-specific rules at 1 TAC §355.503;
- PHC program-specific rules at 1 TAC §355.5902;
- CLASS program-specific rules at 1 TAC §355.505;
- The *SPECIFIC INSTRUCTIONS* contained in this document; and
- The 2012 General and program-specific Cost Report training materials.

As stated at 1 TAC §355.105(b)(1), federal tax laws and Internal Revenue Service (IRS) regulations do not necessarily apply in the preparation of Texas Medicaid Cost Reports. Except as otherwise specified in HHSC's Cost Determination Process Rules, cost reports should be prepared consistent with generally accepted accounting principles (GAAP). Where the Cost Determination Process Rules and/or program-

specific rules conflict with IRS, GAAP or other authorities, the Cost Determination Process Rules and program-specific rules take precedence.

In order to properly complete this cost report, the preparer must:

- Read these instructions;
- Review the provider's most recently audited cost report and audit adjustment information. The most recently received adjustments are likely those for the 2010 Cost Report (if adjustment information has not been received, call (512) 491-1381;
- If a first-time preparer, have attended classroom-based training and received a certificate for the 2012 Cost Report Training sponsored by HHSC or, if an experienced preparer who has previously attended classroom-based training, have a 2011 or 2012 Cost Report Online Training Certificate signifying the preparer successfully completed the online training (preparers without the proper training certificates will not be able to access the STAIRS data entry application);
- Create a comprehensive reconciliation worksheet to serve as a crosswalk between the facility/contracted provider's accounting records and the cost report; and
- Create worksheets to explain adjustments to year-end balances due to the application of Medicaid cost reporting rules and instructions.

DUE DATE AND SUBMISSION (1 TAC §355.105(c))
The cost report is due to HHSC Rate Analysis on or before April 15, 2013.

All attachments and signed and notarized certification pages must be uploaded into STAIRS.

Reports will not be considered "received" until the online report has been finalized and all required supporting documents uploaded. See ***APPENDIX A – Uploading Documents into STAIRS***. Documentation mailed rather than uploaded into the system will not be accepted.

REPORTING PERIOD
The reporting period is generally the period of time during the contracted provider's 2012 fiscal year during which its contract with the Texas Department of Aging and Disability Services (DADS) was in effect. The reporting period must not exceed twelve months. The beginning and ending dates are pre-populated. If provider believes the pre-populated dates are incorrect, it is extremely important to call the number shown on the page in STAIRS before continuing with cost report preparation. Refer to the *SPECIFIC INSTRUCTIONS,* ***Step 2 (COMBINED ENTITY DATA, GENERAL INFORMATION)*** for additional assistance.

WEBSITE
The HHSC RAD website contains program specific cost report instructions, cost report training information and materials, payment rates, RAD staff contact information and web links for online training, and classroom-based training registration. Additional information and features are added periodically. We encourage you to visit our website at:

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

FAILURE TO FILE AN ACCEPTABLE COST REPORT (1 TAC §355.105(b)(4)(C)(ii))
Failure to file a cost report completed in accordance with instructions and rules by the cost report due date constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in *§355.111*.

EXTENSIONS GRANTED ONLY FOR GOOD CAUSE (1 TAC §355.105(c)(2))
Extensions of cost report due dates are limited to those requested for good cause. Good cause refers to extreme circumstances that are beyond the control of the contracted provider and for which adequate advance planning and organization would not have been of any assistance. HHSC Rate Analysis must receive requests for extensions prior to the due date of the cost report. The extension request must be made by the provider (owner or authorized signor). The extension request must clearly explain the necessity for the extension and specify the extension due date being requested. Failure to file an acceptable cost report by the original cost report due date because of the denial of a due date extension request constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111.

STANDARDS FOR AN ACCEPTABLE COST REPORT:
To be acceptable, a cost report must:

1. Be completed in accordance with the Cost Determination Process Rules, program-specific rules, cost report instructions, and policy clarifications;

2. Be completed for the correct cost-reporting period (Note that the cost reporting period has been prepopulated. See ***Step 4, (CONTRACTING ENTITY FINANCIAL DATA, GENERAL INFORMATION)***. If provider believes that the dates are incorrect, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance);

3. Be completed using an accrual method of accounting (except for governmental entities required to operate on a cash basis);

4. Be submitted online as a 2012 Cost Report for the correct program through STAIRS;

5. Include any necessary supporting documentation, as required, uploaded into STAIRS;

6. Include signed, notarized, original certification pages (Cost Report Certification and Methodology Certification) scanned and uploaded into STAIRS

7. Calculate all allocation percentages to at least two decimal places (i.e., 25.75%);

8. If allocated costs are reported, include acceptable allocation summaries, uploaded into STAIRS.

RETURN OF UNACCEPTABLE COST REPORTS (1 TAC §355.106(a)(2))
Failure to complete cost reports according to instructions and rules constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111. Cost reports that are not completed in accordance with applicable rules and instructions will be returned for correction and resubmission. The return of the cost report will consist of un-certifying the file originally submitted via STAIRS which will re-open the cost report to allow additional work and resubmission by the contracted provider. Notification of the return will be sent through e-mail and certified mail. HHSC grants the provider a compliance period of no more than 30 calendar days to correct the contract violation. Failure to resubmit an **acceptable** corrected cost report by the due date indicated in the return notification will result in recommendation of a vendor hold

AMENDED COST REPORTS (1 TAC §355.105(d))
Provider-initiated amended cost reports must be received no more than 60 calendar days after the original cost report due date. Amended cost report information that cannot be verified at least 30 calendar days prior to the public hearing on proposed payment rates for the program will not be used in the determination of payment rates.

If, at any time, a provider becomes aware of an error on their cost report, the provider must contact the Rate Analyst for their program to determine if an amended cost report is required.

ACCOUNTING METHOD (1 TAC §355.105(b)(1))

All revenues, expenses, and statistical information submitted on cost reports must be based upon an accrual method of accounting except where otherwise specified in the Cost Determination Process Rules or program-specific reimbursement methodology rules. Governmental entities may report on a cash basis or modified accrual basis. To be allowable on the cost report, costs must have been accrued during the cost reporting period, and paid within 180 days of the end of the cost reporting period unless the provider is under bankruptcy protection and has received a written waiver of the 180-day rule from HHSC Rate Analysis.

COST REPORT CERTIFICATION

Contracted providers must certify the accuracy of the cost report submitted to HHSC. Contracted providers may be liable for civil and/or criminal penalties if the cost report is not completed according to HHSC requirements or if the information is misrepresented and/or falsified. Before signing the certification pages, carefully read the certification statements to ensure that the signers have complied with the cost-reporting requirements. The Methodology Certification page advises preparers that they may lose the authority to prepare future cost reports if cost reports are not prepared in accordance with all applicable rules, instructions, and training materials.

REPORTING DATA / STATISTICS

Statistical data such as "Hours" must be reported to two decimal places. Please note that the two decimal places are NOT the same as the minutes, but are stated as the percent of an hour. For example, when reporting the hours for Registered Nurses (RN), 150 hours and 30 minutes would be reported as 150.50 hours and 150 hours and 20 minutes would be reported as 150.33 hours.

DIRECT COSTING

Direct costing must be used whenever reasonably possible. Direct costing means that costs incurred for the benefit of, or directly attributable to, a specific business component must be charged directly to that particular business component.

Certain costs are required to be direct-costed including: medical/health/dental insurance premiums, life insurance premiums, other employee benefits (such as employer-paid disability premiums, employer-paid retirement/pension plan contributions, employer-paid deferred compensation contributions, employer-paid child day care, and accrued leave), attendant care staff salaries and wages and attendant contract labor compensation (see ***DEFINITIONS,*** *ATTENDANT CARE FOR COMMUNITY* of Attendant Care for detailed instructions on the reporting of attendant care staff time, salaries and wages) and, for Nursing Facilities only, direct care staff (e.g. RNs, LVNs, medication aides and certified nurse aides) salaries and contract labor compensation (see ***DEFINITIONS,*** *DIRECT CARE FOR NURSING FACILITIES* for detailed instructions on the reporting of direct care staff time, salaries and wages).

For all attendant care and, for nursing facilities, direct care costs, the provider must have documentation that demonstrates the reported costs directly benefited only the program and contracts for which the cost report is being completed. Daily timesheets documenting time are required for all attendant salaries directly charged to the cost report. If the employee only works for the provider in one program and one position type, the daily timesheet must document the start time, the end time and the total time worked. If the attendant works in different programs or in more than one position type (such as habilitation attendant and file clerk), there must be daily timesheets to document the actual time spent working for each provider, program or position type so that costs associated with that employee can be properly direct costed to the appropriate cost area.

SPLIT PAYROLL PERIODS

If a payroll period is split such that part of the payroll period falls within the cost reporting period and part of the payroll period does not fall within the cost reporting period, the provider has the option of direct costing or allocating the hours and salaries associated with the split payroll period.

For example, if the payroll period covered two weeks, with 6 days included in the cost-reporting period and 8 days not included in the cost-reporting period, the provider could either review their payroll information to properly direct cost the paid hours and salaries for only the 6 days included in the cost-reporting period or the provider could allocate 6/14th of the payroll period's hours and salaries to the cost report. The method chosen must be consistently applied each cost-reporting period. Any change in the method of allocation used from one reporting period to the next must be fully disclosed as per 1 TAC §355.102(j)(1)(D).

COST ALLOCATION METHODS (1 TAC §355.102(j) and §355.105(b)(2)(B)(v))

Whenever direct costing of shared costs is not reasonable, it is necessary to allocate these costs either individually or as a pool of costs across those business components sharing in the benefits of the shared costs. The allocation method must be a reasonable reflection of the actual business operations of the provider. Contracted providers must use reasonable and acceptable methods of allocation and must be consistent in their use of allocation methods for cost-reporting purposes across all program areas and business components. Allocated costs are adjusted during the audit verification process if the allocation method is unreasonable, is not one of the acceptable methods enumerated in the Cost Determination Process Rules, or has not been approved in writing by HHSC Rate Analysis. An indirect allocation method approved by some other department, program, or governmental entity (including Medicare, other federal funding source or state agency) is not automatically approved by HHSC for cost-reporting purposes. See ***APPENDIX B – Allocation Methodologies*** for details on the types of approved allocation methodologies, when each can be used and when and how to contact HHSC for approval to use an alternate method of allocation other than those approved.

If there is more than one business component, service delivery program, or 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. The allocation method(s) used must be disclosed as the allocated costs are entered into STAIRS and an allocation summary must be prepared and uploaded to support each allocation calculation.

An adequate allocation summary must include for each allocation calculation: a description of the numerator and denominator that is clear and understandable in words and in numbers, the resulting percentage to at least two decimal places, a listing of the various cost categories to be allocated, 100% of the provider's expenses by cost category, the application of the allocation percentage to each shared cost, the resulting allocated amount, and the cost report item on which each allocated amount is reported. The description of the numerator and denominator should document the various cost components of each.

For example, the "salaries" allocation method includes salaries/wages and contracted labor (excluding consultants). Therefore, the description of the numerator and the denominator needs to document that both salaries/wages and contracted labor costs were included in the allocation calculations. For the "labor cost" allocation method, the cost report preparer needs to provide documentation that

salaries/wages, payroll taxes, employee benefits, workers' compensation costs, and contracted labor (excluding consultants) were included in the allocation calculations. For the "cost-to-cost" allocation method, the cost report preparer needs to provide documentation that all allowable facility and operating costs were included in the allocation calculations. For the "total-cost-less-facility-cost" allocation method, the cost report preparer needs to provide documentation that all facility costs were excluded.

Any allocation method used for cost-reporting purposes must be consistently applied across all contracted programs and business entities in which the contracted provider has an interest (i.e., the entire related organization). If the provider used different allocation methods for reporting to other funding agencies (e.g., USDA, Medicare, HUD), the cost report preparer must provide reconciliation worksheets to HHSC staff upon request. These reconciliation worksheets must show: 1) that costs have not been charged to more than one funding source; 2) how specific cost categories have been reported differently to each funding source and the reason(s) for such reporting differences; and 3) that the total amount of costs (allowable and unallowable) used for reporting is the same for each report.

Any change in allocation methods for the current year from that used in the previous year must be disclosed on the cost report and accompanied by a written explanation of the reasons for the change. Allocation methods based upon revenue or revenue streams are not acceptable.

A provider may have many costs shared between business components. For example, a CBA provider that also provides Medicare Home Health, Medicaid Home Health, private pay services and operates a durable medical equipment company might have shared attendant staff, shared nursing staff, shared clerical staff, shared administration costs, and other shared costs. Guidelines for allocation of various expenses will be provided in each Step of the *Specific Instructions* as appropriate.

RECORDKEEPING (1 TAC §355.105(b)(2)(A) and §355.105(b)(2)(B))

Providers must maintain records that are accurate and sufficiently detailed to support the legal, financial, and statistical information contained in the cost report. These records must demonstrate the necessity, reasonableness, and relationship of the costs to the provision of resident care, or the relationship of the central office to the individual provider. These records include, but are not limited to, accounting ledgers, journals, invoices, purchase orders, vouchers, canceled checks, timecards, payrolls, mileage and flight logs, loan documents, insurance policies, asset records, inventory records, organization charts, time studies, functional job descriptions, work papers used in the preparation of the cost report, trial balances, cost allocation spreadsheets, and minutes of meetings of the board of directors. Adequate documentation for seminars/conferences includes a program brochure describing the seminar or a conference program with a description of the workshop attended. The documentation must provide a description clearly demonstrating that the seminar or workshop provided training pertaining to contracted-care-related services or quality assurance.

RECORDKEEPING FOR OWNERS AND RELATED PARTIES (1 TAC §355.105(b)(2)(B)(xi))

Regarding compensation of owners and related parties, providers must maintain the following documentation, at a minimum, for each owner or related party:

- A detailed written description of actual duties, functions, and responsibilities;
- Documentation substantiating that the services performed are not duplicative of services performed by other employees;
- Timesheets or other documentation verifying the hours and days worked; *(NOTE: this does not mean number of hours, but actual hours of the day);*

- The amount of total compensation paid for these duties, with a breakdown of regular salary, overtime, bonuses, benefits, and other payments;
- Documentation of regular, periodic payments and/or accruals of the compensation;
- Documentation that the compensation was subject to payroll or self-employment taxes; and
- A detailed allocation worksheet indicating how the total compensation was allocated across business components receiving the benefit of these duties.

RETENTION OF RECORDS (1 TAC §355.105(b)(2)(A))

Each provider must maintain records according to the requirements stated in 40 TAC §69.158 (relating to how long contractors, subrecipients, and subcontractors must keep contract-related records).

- The rule states that records must be kept for a minimum of three years and 90 days after the end of the contract period.
- If any litigation, claim, or audit involving these records begins before three years and 90 days expire, the contractor, subrecipient, or subcontractor must keep the records and documents for not less than three years and 90 days or until all litigation, claims, or audit findings are resolved, whichever is longer.

If a contractor is terminating business operations, the contractor must ensure that:

- Records are stored and accessible; and
- Someone is responsible for adequately maintaining the records.

FAILURE TO MAINTAIN RECORDS (1 TAC §355.105(b)(2)(A)(iv))

Failure to maintain all work papers and any other records that support the information submitted on the cost report relating to all revenue, expense, allocations and statistical information constitutes an administrative contract violation. Procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111 of this title (relating to Administrative Contract Violations).

ACCESS TO RECORDS (1 TAC §355.106(f)(2) and 1 TAC §355.452(m))

Each provider or its designated agent(s) must allow access to all records necessary to verify information submitted on the cost report. This requirement includes records pertaining to related-party transactions and other business activities in which the contracted provider is engaged. Failure to allow access to any and all records necessary to verify information submitted to HHSC on cost reports constitutes an administrative contract violation.

FIELD AUDIT AND DESK REVIEW OF COST REPORTS (1 TAC §355.105(f) and §355.106)

Each Medicaid cost report is subject to either a field audit or a desk review by HHSC Office of Inspector General (OIG) Audit staff to ensure the fiscal integrity of the program. Cost report audits are performed in a manner consistent with generally accepted auditing standards (GAAS), which are included in Government Auditing Standards: Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. These standards are approved by the American Institute of Certified Public Accountants and are issued by the Comptroller General of the United States.

During the course of a field audit or a desk review, the provider must furnish any reasonable documentation requested by HHSC auditors within ten (10) working days of the request or a later date as specified by the auditors. If the provider does not present the requested material within the specified time, the audit or desk review is closed, and HHSC automatically disallows the costs in question, pursuant to 1 TAC §355.105(b)(2)(B)(xviii).

For desk reviews and field audits where the relevant records are located outside the state of Texas, the provider's financial records must be made available to HHSC's auditors within fifteen (15) working days of field audit or desk review notification. Whenever possible, the provider's records should be made available within Texas. When records are not available within Texas, the provider must pay the actual costs for HHSC staff to travel to and review the records located out of state. HHSC must be reimbursed for these costs within 60 days of the request for payment in accordance with 1 TAC §355.105(f).

NOTIFICATION OF EXCLUSIONS AND ADJUSTMENTS (1 TAC §355.107)

HHSC notifies the provider by e-mail of any exclusions and/or adjustments to items on the cost report. See ***Step 12 (PROVIDER ADJUSTMENT REPORT)*** and ***Step 13 (AGREE/DISAGREE)***. HHSC-OIG furnishes providers with written reports of the results of field audits.

INFORMAL REVIEW OF EXCLUSIONS AND ADJUSTMENTS (1 TAC §355.110)

A provider who disagrees with HHSC's adjustments has a right to request an informal review of the adjustments. Requests for informal reviews must be received by HHSC Rate Analysis within 30 days of the date on the written notification of adjustments, must be signed by an individual legally responsible for the conduct of the interested party and must include a concise statement of the specific actions or determinations the provider disputes, the provider's recommended resolution, and any supporting documentation the provider deems relevant to the dispute. Failure to meet these requirements may result in the request for informal review being denied.

COMMON COST REPORTING ERRORS

The following is a list of some of the more common errors found on cost reports. These errors, as well as others, can be avoided by carefully following the cost report instructions and rules concerning allowable and unallowable expenses.

1. Cost reports are submitted on a cash basis rather than on an accrual basis of accounting for providers who are not governmental entities.

2. Costs that should be reported separately are combined; for example, the costs incurred for building, vehicle, and general liability insurance are incorrectly all reported in the same item.

3. Incorrect related-party staff/contractor information and failure to include an organization chart that clearly identifies each owner-employee, other related-party employee or related-party contractor, along with each business entity/component.

4. Costs are misclassified; for example, the lease expense for a photocopier is incorrectly included in ***Step 8f (FACILITY AND OPERATIONS COSTS, Non-Related Party Facility, Operations, Administrative and Other Direct Care Costs)***, Operations Supplies line instead of being correctly reported in the Rent/Lease – Departmental Equipment/Other line.

5. Hours and expenses reported in the incorrect staff-type line items.

6. Costs for land are incorrectly included in building historical costs for depreciation purposes.

7. Administrative or other overhead expenses are incorrectly reported in the programmatic cost areas; for example, staff training costs for administrative staff incorrectly reported in a programmatic cost area rather than the Program Administration and Operations cost area.

COMMON ERRORS REGARDING UNALLOWABLE COSTS

1. Expenses are incorrectly reported for activities that are not related to contracted services.

2. Incorrect reporting of personal expenses for items such as personal lunches, personal use of a company vehicle or cellular phone and personal travel expenses not related to employee business travel.

3. Salaries or expenses incorrectly reported for relatives or owners who do not actually work for, or perform services for, the contract.

4. Unallowable promotional advertising incorrectly included in reported advertising costs as an allowable cost.

5. Erroneous reporting as allowable costs those unallowable dues or membership fees to organizations whose primary emphasis is not related to contracted services, for example, Chamber of Commerce, the Lions Club or VFW organizations.

6. Incorrect reporting (with allowable expenses) of unallowable penalties or fines (such as non-sufficient funds (NSF) fees or late payment penalties).

7. Incorrectly expensing bad debts as "Other" costs.

8. Incorrect reporting of payroll taxes. For example, incorrectly reporting FICA/Medicare taxes at greater than 7.65% of the total reported salaries (excluding central office salaries).

9. Erroneously expensing capital expenditures (rather than properly depreciating them) for items such as roofs, air-conditioning systems, vehicles, sidewalks, and paving of the parking lot.

10. Failure to disclose related-party transactions, such as the lease of a building or vehicles.

11. Misstatement of allocated costs because the allocation method used was inappropriate (e.g., based on revenue) or based on unreasonable criteria (e.g., administration salary allocations based on square footage).

12. Overstatement of depreciation costs because land cost was incorrectly included with historical cost of building.

DEFINITIONS

NOTE: For terms not defined in this section, refer to the *SPECIFIC INSTRUCTIONS* section.

ACCRUAL ACCOUNTING METHOD (1 TAC §355.105(b)(1)) - A method of accounting in which revenues are recorded in the period in which they are earned and expenses are recorded in the period in which they are incurred. If a facility operates on a cash basis, it will be necessary to convert from cash to accrual basis for cost-reporting purposes. Care must be taken to ensure that a proper cutoff of accounts receivable and accounts payable occurred both at the beginning and ending of the reporting period. Amounts earned although not actually received and amounts owed to employees and creditors but not paid should be included in the reporting period in which they were earned or incurred. Allowable expenses properly accrued during the cost-reporting period must be paid within 180 days after the fiscal year end in order to remain allowable costs for cost-reporting purposes, unless the provider is under bankruptcy protection and has obtained a written waiver from HHSC from the 180-day rule in accordance with 1 TAC §355.105(b)(1). If accrued expenses are not paid within 180 days after the fiscal year end and no written exception to the 180-day rule has been approved by HHSC, the cost is unallowable and should not be reported on the cost report. If the provider's cost report is submitted before 180 days after the provider's fiscal year end and the provider later determines that some of the accrued costs have not been paid within the required 180-day period, the cost report preparer should submit a revised cost report with the unpaid accrued costs removed.

ADMINISTRATION COSTS **-** The share of allowable expenses necessary for the general overall operation of the contracted provider's business that is either directly chargeable or properly allocable to this program. Administration costs include office costs and central office costs (i.e., shared administrative costs properly allocated to this program), if applicable. Administration costs are not direct care costs.

ALLOCATION (1 TAC §355.102(j)) **-** A method of distributing costs on a pro rata basis. For more information, see COST ALLOCATION METHODS in the General Instructions section and the 2012 Cost Report Training materials.

ALLOWABLE COSTS (1 TAC §355.102(a) and §355.103(a)) **-** Expenses that are reasonable and necessary to provide care to Medicaid recipients and are consistent with federal and state laws and regulations.

AMORTIZATION (1 TAC §355.103(b)(7)) **-** The periodic reduction of the value of an intangible asset over its useful life or the recovery of the intangible asset's cost over the useful life of the asset. May include amortization of deferred financing charges on the financing or refinancing of the purchase of the building, building improvements, building fixed equipment, leasehold improvements and/or land improvements. The amortization of goodwill is an unallowable cost. The amortization of the purchase price of a Medicaid contract itself (as opposed to the purchase price of the physical facility) is an unallowable cost. For additional information, see *SPECIFIC INSTRUCTIONS* for ***Step 8e*** (***FACILITY AND OPERATIONS COSTS, Depreciation Expense and Related-Party Lease/Purchase of Depreciable Assets)***.

APPLIED INCOME **-** The portion of the daily payment rate paid by the individual in residential programs. The Department of Aging and Disability Services (DADS) determines how much the individual is to pay.

ATTENDANT CARE FOR COMMUNITY (1 TAC §355.112(b)) **-** An attendant is the unlicensed caregiver providing direct assistance to the individuals with Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL). An attendant also includes:

Attendants do not include the director, administrator, assistant director, assistant administrator, clerical and secretarial staff, professional staff, other administrative staff, licensed staff, attendant supervisors, and maintenance staff. See the TAC reference for additional details and exceptions.

BAD DEBT (1 TAC §355.103(b)(17)(M)) **-** Unrecoverable revenues due to uncollectible accounts receivable. Bad debts are not reported on the Medicaid cost report.

BUILDING (FACILITY) COSTS **-** Costs to be reported as Facility Costs. When allocating shared administrative costs (central office costs) based upon the total-cost-less-facility-cost allocation method, the building (facility) costs to be removed from the cost calculation include Lease/Rental of Building/Facility/Building Equipment; Insurance for those items; Utilities, Maintenance and Contract Services of those items; Mortgage Interest; Ad Valorem Taxes; and Depreciation for Building/Facility/Building Equipment/Land/Leasehold Improvements. Building costs must exclude any goodwill (see definition for *GOODWILL*).

BUSINESS COMPONENT **-** A separate business entity; a state contract, program, or grant; or an operation separate from the contracted provider's contract that makes up part of the total group of entities related by common ownership or control (i.e., one part of the entire related organization). Each separate contract with the state of Texas is usually considered a separate business component / entity. For the IDD programs, each component code within a program is considered a separate business component. See also CENTRAL OFFICE.

CENTRAL OFFICE (1 TAC §355.103(b)(4)) **-** Any contracted provider who provides administrative services shared by two or more business components is considered to have a central office. For cost-reporting purposes, a "central office" exists if there are shared administrative functions that require allocation across more than one business. Central office costs are also known as allocated shared administrative costs. The shared administrative functions could be provided by a separate corporation or partnership, or they could be a separate department or separate accounting entity within the contracted entity accounting system. The shared administrative functions could be provided in their own building or co-located with one of the entities for which they provide administrative services (e.g., the shared administrative functions could be provided from spare office space within a programmatic location).

If an organization consists of two or more contracted entities/business components/service delivery programs that are owned, leased or controlled through any arrangement by the same business entity, that organization probably has administrative costs that benefit more than one of the contracted entities/business components/service delivery programs, requiring that the shared administrative costs be properly allocated across the contracted entities/business components/service delivery programs benefiting from those administrative costs. Typical shared administrative costs may include costs related to the chief executive officer (CEO), chief financial officer (CFO), payroll department, personnel

department and any other administrative function that benefits more than one business component. See also the *SPECIFIC INSTRUCTIONS* for Central Office.

CHAIN **-** Contracted entities/business components/service delivery programs that have a common owner or sole member or are managed by a related-party management company are considered a chain. A chain may also include business organizations which are engaged in activities other than the provision of the Medicaid program services in the state of Texas. This means that the business components could be:

- located within or outside of Texas;
- provide services other than the Medicaid services covered by this cost report, and
- provide services which may or may not be delivered through contracts with the state of Texas.

CHARITY ALLOWANCE **-** A reduction in normal charges due to the indigence of the resident/participant. This allowance is not a cost since the costs of the services rendered are already included in the contracted provider's costs.

COMBINED ENTITY **-** one or more commonly owned corporations and/or one or more 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.

COMMON OWNERSHIP (§355.102(i)(1)) **-** Exists when an individual or individuals possess any ownership or equity in the contracted provider and the institution or organization serving the contracted provider. If a business entity provides goods or services to the provider and also has common ownership with the provider, the business transactions between the two organizations are considered related-party transactions and must be properly disclosed. Administrative costs shared between entities that have common ownership must be properly allocated and reported as central office costs (i.e., shared administrative costs). See the definition for *RELATED PARTY*.

COMPENSATION, EMPLOYEES (1 TAC §355.103(b)(1)) **-** Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers' Compensation Insurance.

COMPENSATION, OWNERS AND RELATED PARTIES (1 TAC §355.103(b)(2)) - Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes withdrawals from an owner's capital account; wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers' Compensation Insurance. Compensation must be made in regular periodic payments, must be subject to payroll or self-employment taxes, and must be verifiable by adequate documentation maintained by the contracted provider.

COMPONENT CODE **-** Specific to the IDD programs, this is a three-digit code assigned by the DADS CARE system that is specific to one contracted provider. It may cover one or multiple contracts held by

that provider. This code is added to the end of a string that reads "0000H0xxx" for HCS and TxHmL and "0000I0xxx" for ICF/IID to identify the provider in certain HHSC RAD communications.

CONTRACT LABOR **-** Labor provided by nonstaff individuals. Nonstaff refers to personnel who provide services to the contracted provider intermittently, whose remuneration (i.e., fee or compensation) is not subject to employer payroll tax contributions (e.g., FICA/Medicare, FUTA, or SUTA) and who perform tasks routinely performed by employees. Contract labor does not include consultants. Contract labor hours must be associated with allowable contract labor costs as defined in 1 TAC §355.103(b)(2)(C).

CONTRACT MANAGEMENT - *S*ee definition for *MANAGEMENT SERVICES*.

CONTRACTED BEDS **-** Not applicable for the CPC Cost Report.

CONTRACTED PROVIDER **-** *S*ee definition for *PROVIDER*.

CONTRACTED STAFF **-** See definition for *CONTRACT LABOR*.

CONTRACTING ENTITY **-** The business component with which Medicaid contracts for the provision of the Medicaid services included on this cost report. See *SPECIFIC INSTRUCTIONS* for ***Step 4*** (***CONTRACTING ENTITY FINANCIAL DATA, GENERAL INFORMATION).***

CONTROL (1 TAC §355.102(i)(1) and 1 TAC §355.102(i)(3) **-** Exists if an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. Control includes any kind of control, whether or not it is legally enforceable and however it is exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise. Organizations, whether proprietary or nonprofit, are considered to be related through control to their directors in common.

CONTROLLING ENTITY **-** The individual or organization that owns the contracting entity. Controlling entity does not refer to provider's contracted management organization.

COURTESY ALLOWANCE **-** A reduction in normal charges granted as a courtesy to certain individuals, such as physicians or clergy. This allowance is not a cost since the costs of the services rendered are already included in the contracted provider's costs.

COST REPORT GROUP CODE **-** The number used to identify an individual cost report. HHSC RAD will group one or more CBA, CLASS CMA, CLASS DSA and PHC contracts for each legal entity into a CPC Cost Report(s) depending on rate enhancement participation level (if applicable), cost reporting period and other factors, and will assign the Cost Report Group Code. The Cost Report Group Code for IDD providers will be the component code.

CPC COST REPORT **–** A single cost report that will collect cost data for the CBA, PHC, CLASS CMA and CLASS DSA programs.

DEPRECIATION EXPENSE (1 TAC §355.103(b)(7)) **-** The periodic reduction of the value of an asset over its useful life or the recovery of the asset's cost over the useful life of the asset. For additional

information, see *SPECIFIC INSTRUCTIONS* for ***Step 8e (FACILITY AND OPERATIONS COSTS, Depreciation Expense and Related-Party Lease/Purchase of Depreciable Assets)***.

DIRECT CARE **-** Care provided by provider personnel (i.e., Attendants, RNs, LVNs and Therapists) in order to directly carry out the individual plan of care.

DIRECT CARE FOR NURSING FACILITIES (1 TAC §355.308(a)) **-** Not applicable for IDD programs or the CPC Cost Report.

DIRECT COST **-** An allowable expense incurred by the provider specifically designed to provide services for this program. If a general ledger account contains costs (including expenses paid with federal funds) attributable to more than one program, the individual entries to that general ledger account which can be specifically "charged" to a program should be charged to that program (i.e., direct costed or directly charged). Those general ledger entries that are shared by one or more programs should be properly allocated between those programs benefited. If an employee performs direct care services for more than one program area (or organization or business component), it will be necessary to direct cost (i.e., directly charge) that employee's costs between programs based upon actual timesheets rather than using an allocation method. If an employee performs both direct care services and administrative services within one or more organizations/business components, it will be necessary to document the portion of that employee's costs applicable to the delivery of direct care services based upon daily timesheets; time studies are not an acceptable method for documenting direct care employees' costs. Direct costs include both salary-related costs (i.e., salaries, payroll taxes, employee benefits, and workers' compensation costs) and nonlabor costs such as the employee's office space costs (e.g., facility costs related to the square footage occupied by the employee's work area) and departmental equipment (e.g., computer, desk, chair, bookcase) used by the employee in the performance of the employee's duties. See definition for *DIRECT COSTING* and the GENERAL INSTRUCTIONS for DIRECT COSTING.

DIRECT COSTING **-** A method of assigning costs specifically to particular units, divisions, cost centers, departments, business components, or service delivery programs for which the expense was incurred. Costs incurred for a specific entity must be charged to that entity. Costs that must be direct costed include health insurance premiums, life insurance premiums, other employee benefits (e.g., employer-paid disability insurance, employer-paid retirement contributions, and employer-operated child day care for children of employees), and direct care staff salaries and wages. See definition for *DIRECT COST*.

FACILITY COSTS **-** See definition of *BUILDING COSTS*.

GOODWILL **-** The value of the intangible assets of a business, especially as part of its purchase price. Goodwill is not an allowable cost on the cost report. See *SPECIFIC INSTRUCTIONS* for ***Step 8*** (***FACILITY AND OPERATIONS COSTS)*** for instructions on the removal of goodwill.

LEGEND DRUG (prescription drug) **-** Any drug that requires an order from a practitioner (e.g., physician, dentist, nurse practitioner) before it may be dispensed by a pharmacist, or any drug that may be delivered to a resident by a practitioner in the course of the practitioner's practice.

MANAGEMENT SERVICES (1 TAC §355.103(b)(3) and 1 TAC §355.457(b)(2)(A) **-** Services provided under contract between the contracted provider and a person or organization to provide for the

operation of the contracted provider, including administration, staffing, maintenance, or delivery of resident/participant care services. Management services do not include contracts solely for maintenance, laundry, or food service. If the provider contracts with another entity for the management or operation of the program, the provider must report the specific direct services costs of that entity and not the amount for which the provider is contracting for the entity's services. Expenses for management provided by the contracted provider's central office must be reported as central office costs.

MEDICAID-ONLY RESIDENT/PARTICIPANT **–** Residents/participants who are eligible recipients of Medicaid vendor payments and who ARE NOT ELIGIBLE for payments for ancillary services from other sources (such as Medicare or private insurance).

NECESSARY (1 TAC 355.102(f)(2)) **-** Refers to the relationship of the cost, direct or indirect, incurred by a provider to the provision of contracted care. Necessary costs are direct and indirect costs that are appropriate in developing and maintaining the required standard of operation for providing care for individuals in accordance with the contract and state and federal regulations. See TAC reference for additional requirements.

NET EXPENSES (1 TAC §355.102(k) and §355.103(b)(15)(D)) **-** Gross expenses less any purchase discounts or returns and purchase allowances. Only net expenses should be reported on the cost report.

NON-MEDICAID RESIDENTS/PARTICIPANTS **-** Non-Medicaid residents/participants include, but are not limited to, private pay, private insurance, Veterans Administration, Qualified Medicare Beneficiary (QMB), Medicaid Qualified Medicare Beneficiary (MQMB) and Dual Eligible (Medicare/Medicaid) residents/participants.

OWNER (1 TAC §355.102(i)(2)) and 1 TAC §355.103(b)(2)(A)(i) **-** An individual (or individuals) or organization that possesses ownership or equity in the contracted provider organization or the supplying organization. A person who is a sole proprietor, partner, or corporate stockholder-employee owning any of the outstanding stock of the contracted provider is considered an owner, regardless of the percentage of ownership.

PROVIDER **-** The individual or legal business entity that is contractually responsible for providing Medicaid services, i.e., the business component with which Medicaid contracts for the provision of the services to be reported in this cost report. Also known as contracted provider. See definitions for *COMPONENT CODE*, *CONTRACTING ENTITY* and *COST REPORT GROUP*.

PURCHASE DISCOUNTS (1 TAC §355.102(k)) **-** Discounts such as reductions in purchase prices resulting from prompt payment or quantity purchases, including trade, quantity, and cash discounts. Trade discounts result from the type of purchaser the contracted provider is (i.e., consumer, retailer, or wholesaler). Quantity discounts result from quantity purchasing. Cash discounts are reductions in purchase prices resulting from prompt payment. Reported costs must be reduced by these discounts prior to being reported on the cost report.

PURCHASE RETURNS AND ALLOWANCES (1 TAC §355.102(k)) - Reductions in expenses resulting from returned merchandise or merchandise that is damaged, lost, or incorrectly billed. Expenses must be reduced by these returns and allowances prior to being reported on the cost report.

REASONABLE (1 TAC 355.102(f)(1)) **-** Refers to the amount expended. The test of reasonableness includes the expectation that the provider seeks to minimize costs and that the amount expended does not exceed what a prudent and cost-conscious buyer pays for a given item or service. See TAC reference for additional considerations in determining reasonableness.

REFUNDS AND ALLOWANCES **-** Reductions in revenue resulting from overcharges.

REIMBURSEMENT METHODOLOGY FOR CBA (1 TAC §355.503) **-** Rules by which HHSC determines daily payment rates for CBA services that are statewide and uniform by class of service and level of need.

REIMBURSEMENT METHODOLOGY FOR CLASS (1 TAC §355.505) **-** Rules by which HHSC determines daily payment rates for CLASS CMA and DSA services that are statewide and uniform by class of service and level of need.

REIMBURSEMENT METHODOLOGY FOR PHC (1 TAC §355.5902) **-** Rules by which HHSC determines daily payment rates for PHC services that are statewide and uniform by class of service and level of need.

RELATED (1 TAC §355.102(i)(1) **-** Related to a contracted provider means that the contracted provider to a significant extent is associated or affiliated with, has control of, or is controlled by the organization furnishing services, equipment, facilities, leases, or supplies. See the definitions of *COMMON OWNERSHIP*, *CONTROL*, and *RELATED PARTY*.

RELATED PARTY (1 TAC §355.102(i)) **-** A person or organization related to the contracted provider by blood/marriage, common ownership, or any association, which permits either entity to exert power or influence, either directly or indirectly, over the other. In determining whether a related-party relationship exists with the contracted provider, the tests of common ownership and control are applied separately. Control exists where an individual or organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests where the significance tests are met. The following persons are considered immediate family for cost-reporting purposes: (1) husband and wife; (2) natural parent, child and sibling; (3) adopted child and adoptive parent; (4) stepparent, stepchild, stepsister, and stepbrother; (5) father-in-law, mother-in-law, brother-in-law, son-in-law, sister-in-law, and daughter-in-law; (6) grandparent and grandchild; (7) uncles and aunts by blood or marriage; (8) first cousins, and (9) nephews and nieces by blood or marriage. Disclosure of related-party information is required for all allowable costs reported by the contracted provider. ***Step 6*** (***WAGES AND COMPENSATION)*** and ***Step 8*** (***FACILITY AND OPERATIONS COSTS)*** of STAIRS both have substeps designed for reporting compensation of related parties (both wage and contract compensation) and related-party transactions, including the purchase/lease of equipment, facilities, or supplies, and the purchase of services including related-party loans (i.e., lending services). See also definitions of *COMMON OWNERSHIP*, *CONTROL*, *RELATED*, and *RELATED-PARTY TRANSACTIONS*. See also the Cost Report Training materials.

RELATED-PARTY TRANSACTIONS (1 TAC §355.102(i)) **-** The purchase/lease of buildings, facilities, services, equipment, goods or supplies from the contracted provider's central office, an

individual related to the provider by common ownership or control, or an organization related to the provider by common ownership or control. Allowable expenses in related-party transactions are reported on the cost report at the cost to the related party. However, such costs must not exceed the price of comparable services, equipment, facilities, or supplies that could be purchased/leased elsewhere in an arm's-length transaction.

RESIDENT **-** Any individual residing in a residential Medicaid program facility.

RESIDENT DAY **-** Services for one resident for one day. The day the resident is admitted is counted as a day of service. The day the resident is discharged is not counted as a day of service. A resident day is also known as a day of service and is the unit of service for a residential Medicaid program.

REVENUE REFUNDS **-** Reductions in revenue resulting from overcharges.

SAFETY PROGRAM **-** An ongoing, well-defined program for the reduction/prevention of employee injuries. The costs to administer such a program may include the development/purchase and maintenance of a training program and safety officer/consultant costs. Salaries and wages for staff administering the safety program must be based upon the hours worked on the safety program (from actual timesheets or time studies). These safety program costs should be reported as ADMINISTRATION COSTS.

SELF INSURANCE (1 TAC §355.103(b)(10)(b)) – S*ee* ***APPENDIX E – Self-Insurance.***

STARTUP COSTS (1 TAC §355.103(b)(17)(D)) **-** Those reasonable and necessary preparation costs incurred by a provider in the period of developing the provider's ability to deliver services. Startup costs can be incurred prior to the beginning of a newly formed business and/or prior to the beginning of a new contract or program for an existing business. Allowable startup costs include, but are not limited to, employee salaries, utilities, rent, insurance, employee training costs, and any other allowable costs incident to the startup period. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation as described in the Cost Determination Process Rules. Any costs that are properly identifiable as organization costs or capitalizable as construction costs must be appropriately classified as such and excluded from startup costs. Allowable startup costs should be amortized over a period of not less than 60 consecutive months. If the business component or corporation never commences actual operations, or if the new contract/program never delivers services, the startup costs are unallowable.

VENDOR HOLD **-** HHSC rules specify that Medicaid payments from DADS may be withheld from contracted providers in certain specific situations, as described in 1 TAC §355.111.

WORKERS' COMPENSATION COSTS **-** For cost-reporting purposes, the costs accrued for workers' compensation coverage (such as commercial insurance premiums and/or the medical bills paid on behalf of an injured employee) are allowable. Costs to administer a safety program for the reduction/prevention of employee injuries are not workers' compensation costs; rather, these costs should be reported as ADMINISTRATION COSTS. See definition of *SAFETY PROGRAM*.

SPECIFIC INSTRUCTIONS

GENERAL SYSTEM NAVIGATION

Add Record – Used to add lines to the current category. It may be used to add an initial entry to the category or to add Allocation detail to an initial entry. If more lines are needed than initially appear, enter the information for the initially appearing lines, Save, and click Add Record again for more lines.

Edit Record – Click the button beside the record to be edited before clicking this box. This will allow the user to change any specifics previously added to this record.

Delete Record – Click the button beside the record to be deleted before clicking this box. This will delete the selected record.

Save – Used to save the current data. Will save the information in the current location and allow additional Add, Edit or Delete actions.

Save and Return – Saves the current data and returns to the prior level screen.

Cancel – Cancels all unsaved information on the current screen and returns user to the prior level screen.

Stop Signs – A stop sign appears when an action needs to be taken by the preparer in order to either continue or before finalizing the cost report. They will variously tell the preparer that an action must be taken prior to being able to "Save" information in the current screen, that an edit must be responded to before the report can be finalized, or that a required piece of information is needed on the current screen.

Data Entry Fields – Because the CPC Cost Report contains costs for multiple programs, and not all services are available in each of the programs included in the report, certain data entry fields in ***Step 5 (UNITS OF SERVICE AND REVENUE)*** and ***Step 6 (WAGES AND COMPENSATION)*** will not apply to all programs. When a service or step applies only to certain programs and the CPC Cost Report does not include a contract for that program, that data entry field or step will be disabled. Please see the *SPECIFIC INSTRUCTIONS*, ***Step 5*** and ***Step 6*** for additional information.

USER INTERFACE AND DASHBOARD

The initial screen a STAIRS user will see upon logging into the system is the Dashboard. From there the user can see and edit their personal contact information, to include e-mail, address and telephone and fax numbers. Also on this Dashboard page are important information messages and listings of important dates and upcoming training opportunities. Training registration can be accessed from this page.

By clicking on “Manage” to the right on the top bar, the user can, depending on his or her permissions, add a contact, attach a person to a role or assign a preparer.

The document titled “Managing Contacts Processing Procedures” gives detailed instructions for managing contacts, including understanding roles and what can be done within the system by persons assigned to the various roles. This document is located in the Reference Materials section located at the bottom of all STAIRS pages.

The Upload Center is also located under “Manage”.

Once the user is in the system, they can click on “Cost Reporting” on the top bar. If the user has access permission for only a single cost report group, for example Cost Report Group 001 for two CBA and Two PHC contracts, then there will only be one option to click on the initial Cost Reporting page. If the user has access permission for more than one cost report group, for example Cost Report Group 002 for one CLASS CMA contract and two CLASS DSA contracts, and Component Code 8zz for HCS/TxHmL, then the user will need to choose the component code and report in which the user wishes to work.

COMBINED ENTITY DATA

Step 1 COMBINED ENTITY IDENTIFICATION

Combined Entity Identification

In this section the provider may update telephone, e-mail and address information for the combined entity. If this is a single provider entity with no combined entities, this will be the information for the contracted provider as well.

Entity Contact Identification

In this section, the provider may update the information on the contact person. The contact person must be an employee of the controlling entity, parent company, sole member, governmental body, or related-party management company (i.e., the entire related organization) who is designated to be contacted concerning information reported on the cost report. The contact person should be able to answer questions about the contents of the provider's cost report.

Financial Contact

A primary contact may designate a Financial Contact. This person can review the cost report, but may not make entries into the system.

Report Preparer Identification

In accordance with 1 TAC §355.102(d), it is the responsibility of each provider to ensure that each cost report preparer who signs the Cost Report Methodology Certification completes the required HHSC-sponsored cost report training. The STAIRS cost reporting application will identify whether the person

designated as a preparer has completed the required training. Only a preparer who has received a 2011 or 2012 training certificate from HHSC for both the General and the Program Specific training will be able to complete a cost report in STAIRS. A list of preparers who have completed the training may be accessed through the Rate Analysis website (see the WEBSITE section of the General Instructions) by scrolling down to the "Training Information" heading and clicking on "View Cost Report Training Information", then "Preparer List."

Preparers must complete cost report training for every program for which a cost report is submitted. Such training is required every other year for the odd-year cost report in order for the preparer to be qualified to complete both that odd-year cost report and the following even-year cost report. To sign as preparer of a 2012 cost report for a specific program, the preparer must either: (1) have attended the classroom-based training for that program's 2012 cost report and received a 2012 Mandatory Cost Report Training Certificate; or (2) successfully completed that program's online cost report training and received a 2011 or 2012 Mandatory Cost Report Training Certificate for both the general online training and the program-specific online training.

Cost report preparers may be employees of the provider or persons who have been contracted by the provider for the purpose of cost report preparation. NO EXEMPTIONS from the cost report training requirements will be granted.

Location of Accounting Records that Support this Report

Enter the address where the provider's accounting records and supporting documentation used to prepare the cost report are maintained. This should be the address at which a field audit of these records can be conducted. These records do not refer solely to the work papers used by the provider's CPA or other outside cost report preparer. All working papers used in the preparation of the cost report must be maintained in accordance with 1 TAC 355.105(b)(2)(ii). (See also the RECORDKEEPING section of the General Instructions.)

Where would you like future correspondence sent?

This section allows the preparer to designate whether correspondence regarding this report should be mailed and/or e-mailed to either the Contracting Entity or the Contact as entered in this Step.

Step 2 GENERAL INFORMATION

2011 Cost Report: 111111-001 - CPC - Community Care Center XYZ

2. General Information

Save and Return | Cancel

The report period beginning and ending dates have been established by HHSC and cannot be edited by the cost report preparer. If you have questions about these dates or believe they are not correct please contact the HHSC Rate Analysis Department at 512-491-1464.

Combined Entity Report Period Beginning (mm/dd/yyyy)	09/01/2011
Combined Entity Report Period Ending (mm/dd/yyyy)	08/31/2012

Do you request to aggregate by program those contracts held by this Combined Entity which participated in the Attendant Compensation Rate Enhancement for the purpose of determining compliance with spending requirements? Indicate below by applicable program.

CBA	Yes
CLASS DSA	Yes
PHC	Yes
ICF/IDD	Yes
HCS/TxHML	Yes

Save and Return | Cancel

Combined Entity Reporting Period Beginning and Ending Dates:
These dates represent the beginning and ending dates for the combined entity's reporting period. If this is a single provider entity with no combined entities, the information for the contracted provider will be used as that of the combined entity. For a combined entity that submitted a cost report in a prior year, these dates will be based on the dates from the prior cost report. For a combined entity that is reporting for the first time this year, the dates are based on the contract beginning date and the assumption that the provider is on a calendar fiscal year, so has an ending date of 12/31 of the cost report year. If these dates are not correct, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance. Failure to assure that the reporting period is correctly identified will result in the cost report being returned and all work previously done on the report being deleted from the system.

This reporting period should include the earliest date the combined entity had a contract with DADS during the entity's fiscal year ending in 2012 and run through the earlier of the end of the combined entity's 2012 fiscal year or the last date on which the combined entity held a contract with DADS. This date span must match DADS records regarding the effective dates of the combined entity's current contract(s). If there is a discrepancy, the cost report will be rejected as unacceptable and returned for proper completion.

To change the provider's corporate fiscal year for cost-reporting purposes, the provider must send written notification to the Rate Analyst. The notification should include the name of each affected contracted provider, all 3-digit Cost Report Group Codes, and all 9-digit contract numbers. The notification should also include documentation from the IRS approving the change. The provider must state the effective date of the change and the previous corporate fiscal year. Rate Analysis will notify the provider in writing how to handle each month for cost-reporting purposes, since no cost report can cover more than 12 months. If the provider faxes the notification, it must be followed with an original in the mail. For contracting purposes, DADS Provider Enrollment must be notified on the appropriate forms.

Step 3 CONTRACT MANAGEMENT

Step 3a Verify Existing DADS Component Codes and Contract Numbers:

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3.a. Verify Existing DADS Contracts

The following chart displays the list of DADS Component Codes and Contract Numbers controlled by the provider's controlling entity. Contact the Rate Analysis Help Desk at (512) 491-1448 or email CostInformation@hhsc.state.tx.us to add or delete any of the contract information listed.

Save | Save and Return | Cancel

Active Entire Cost Report Period?	Contract Type	Cost Report Group Code	Contracting Entity Name	CR Type	Program	Site Type	Contract #	Contract Name	Enhancement Level	Note
Yes No	DADS	065	Doughty	CPC	CLASS CMA	n/a	584829668	Doughty		

Save | Save and Return | Cancel

This list carries over from year to year. It is a list of all IDD program component codes and CBA, PHC and CLASS contracts operated by the provider's combined entity grouped by Cost Report Group Codes. For each cost report group, the preparer must indicate in the left-most column whether the component code or all contracts in the Cost Report Group were active during the entire cost report period. If the answer to this question for a specific component code/contract is "No", then an explanation must be entered in the Note column.

If the preparer believes that one or more additional component codes/contracts should be added to the prepopulated list or that a component code/contract included in the prepopulated list should be deleted, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance. Providers cannot add to or delete from this list independently. Failure to correctly verify this list may result in all STAIRS cost reports for the combined entity being returned as unacceptable.

Step 3b Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity:

This list carries over from year to year. It is a list of all Texas and out-of-state business relationships in which the combined entity is involved. For each contract, grant or business, the preparer must indicate in the left-most column whether the contract, grant or business was active during the entire cost report period. If the answer to this question for a specific contract, grant or business relationship is "No", then an explanation must be entered in the Note column.

A preparer can add, edit or delete items from this list. Clicking Add will lead to the Add Contracts screen where all the necessary information can be added. See graphic below. Any changes to this list will trigger changes to the cost report(s) for any other component code(s) controlled by the provider's combined entity. If these other cost reports are being completed by a different preparer who has verified Steps involving allocation, STAIRS will automatically unverify those Steps in those reports. The other preparer will need to address those Steps again prior to completing those reports.

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3.b. Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity

Save Cancel

Active During Entire Cost Report Period?	Contract Type	Service Type	Contract #/ Provider Identification	Note
Yes No	---	---		
Yes No	---	---		
Yes No	---	---		
Yes No	---	---		
Yes No	---	---		

Save Cancel

Information necessary to add an additional contract includes

A. Was the contract active during the entire cost report period? – If "No" is chosen, provider will be required to enter an explanation in the Notes section.
B. Contract Type – The contract type will drive available options in Service Type below. Contracts which are neither state nor Medicare, such as contracts with related durable medical equipment entities, will be designated as "Other".
C. Service Type – The service type menu is driven by the Contract Type above. If the service type is not listed, the preparer should choose "Other". If the preparer chooses "Other", a box will appear for entry of the type of other contract, such as durable medical equipment contract.
D. Contract # / Provider Identification – The contract number or other identifying information regarding the contract. For contracts that don't have state or federal contracting numbers, this may be the legal name of the related organization with which the provider is contracting.

To Edit or Delete a contract, select it by clicking the round button to the far left beside that contract. Then choose an action, either Edit Record or Delete Record.

Step 3c Verify Contract Summary:

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3.c. Verify Business Component Summary

Save | Save and Return | Cancel

Contract Type	Contracting Entity Name	Cost Report Group Code	CR Type	Site Type
DADS		001003173	Other - provide explanation: VFI CDS	
DADS		001003175	Other - provide explanation: VFI CDS	
DADS		001003177	Other - provide explanation: VFI CDS	
DADS		001003173 & 0010036	Other - provide explanation: VFI CDS	
DADS		67-9488	Other - provide explanation: Medicare	
DADS	Bexar County Healthcare	051	CPC	
DADS	Bexar County Healthcare	052	CPC	
DADS	Bexar County Healthcare	050	CPC	
DADS	Bexar County Healthcare	050	HCS/TxHmL	
DADS	Bexar County Healthcare	050	ICF/ID	Small, Medium

Are there any other contracts, grants, or business relationship with DADS, the State of Texas, or with any other business entities not included in the summary table above?

- ○ Yes
- ◉ No

Save | Save and Return | Cancel

This screen lists all cost report groups, grants and business entities contained in ***Steps 3a and 3b*** above. Preparers must answer the question at the bottom of the page in order to clear the Stop Sign for this Step. The question "Are there any other contracts, grants, or business relationship with DADS, the State of Texas, or with any other business entities not included in the summary table above?" must be answered either "Yes" or "No". An answer of "Yes" will take the preparer to ***Step 3b*** above.

CONTRACTING ENTITY FINANCIAL DATA

Step 4 GENERAL INFORMATION

From this point forward in the instructions, all requested information must be reported based only on the cost report group for which the cost report is being prepared.

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4. General Information

Save | Save and Return | Cancel

Type of Ownership of Contracting Entity	**Proprietary (For Profit)** ○ Sole Proprietor ○ Partnership ○ Limited Partnership ○ Limited Liability Company ○ "S" Corporation ◉ Corporation	**Nonprofit Corporation** ○ Owned or affiliated with religious organization ○ Not owned or affiliated with religious organization	**Nonprofit Association** ○ Owned or affiliated with religious organization ○ Not owned or affiliated with religious organization	**Government** ○ State ○ County ○ Municipal ○ Special District ○ Federal
Contracted Provider Report Period Beginning (mm/dd/yyyy)	01/01/2010			
Contracted Provider Report Period Ending (mm/dd/yyyy)	12/31/2010			
Is provider a participant in the CBA Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?	Yes			
Is provider a participant in the CLASS DSA Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?	Yes			
Is provider a participant in the PHC Priority Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?	Yes			
Is provider a participant in the PHC Non-Priority Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?	Yes			
Was an accrual method of accounting used for reporting all revenues, expenses, and statistical information on this report except for where the instructions require otherwise? Please explain method of accounting	No [ ]			
Did the preparer(s) of this report review the most recently received audit adjustments and make the necessary revisions when preparing this report? Please explain the report review	No [ ]			
Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report? If No, please provide and explanation. Please explain reconcilition work papers	No [ ]			
Are you reporting Central Office expenses in this Cost Report? Please attach your Central Office allocation methodology	Yes Select file Central Office Allocations REV.xls or upload new file			
Are you reporting any allocated Non-Central Office Program Administration expenses? Please attach your Non-Central Office Program Administration allocation methodology	Yes Select file ABS Internal Day Program Allocation REV.xls or upload new file			

Save | Save and Return | Cancel

Type of Ownership of Contracting Entity:
Identify the type of ownership of the provider contracting entity from the list. Note: If the provider is a for-profit corporation or one segment of a for-profit corporation (e.g. a dba of a for-profit corporation), "Corporation" is the appropriate entry.

Contracted Provider Reporting Period Beginning and Ending Dates:
These dates represent the beginning and ending dates for the contracted provider's reporting period. For a contracted provider that submitted a cost report in a prior year, these dates will be based on the dates from the prior cost report. For a contracted provider that is reporting for the first time this year, the dates are based on the beginning date of the first contract and on the assumption that the provider is on a calendar fiscal year, so has an ending date of 12/31 of the cost report year. If these dates are not correct, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance.

Beginning and Ending Dates When the Cost Report Group Did Not Have At Least One Contract Active for the Provider's Entire Fiscal Year Ending in 2012 :

In situations where the cost report group did not have at least one contract active for the provider's entire fiscal year ending in 2012, the reporting period must match with DADS records regarding the effective dates of the provider's current contract(s).

If these dates are not correct, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance. Failure to assure that the reporting period is correctly identified will result in the cost report being returned and all work previously done on the report being deleted from the system.

If the provider's reporting period is less than twelve months, the cost report preparer must properly report only those statistics, revenues and expenses associated with the reporting period. For example, if the provider's reporting period was 2/1/2012 through 12/31/2012, it is unacceptable for the cost report preparer to report 11/12 of the provider's annual days of service, annual revenues, and annual expenses. Instead, the cost report preparer should only report information related to the reporting period, meaning that units of service, revenues, and costs related to the month of January 2012 are not to be included anywhere on the cost report.

If the reporting period does not begin on the first day of a calendar month or end on the last day of a calendar month, it is imperative that the cost report preparer properly report only those statistics (i.e., units of service), revenues, and costs associated with the actual cost-reporting period. If, for example, the provider's cost-reporting period was 8/15/2012 through 12/31/2012, it is unacceptable for the cost report preparer to report 37.8% of the provider's total days of service, revenues, and costs for the year. Rather, the cost report preparer must report the days of service, revenues and costs associated only with the period 8/15/2012 through 12/31/2012. Since the month of August is partially reported (i.e., 8/15 - 8/31), the cost report preparer will have to calculate 17/31 of various costs applicable to the month of August (e.g., building rent/depreciation, August utilities, and other such "monthly" costs) and include that with the actual costs for September - December. For questions regarding the appropriate method for reporting information for less than a full year, please contact the Rate Analyst.

Is provider a participant in the CBA Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?

This answer will be prepopulated and based on whether the provider was a participant for the entire cost reporting period. If the prepopulated answer appears to be incorrect, please contact the Rate Analyst.

Is provider a participant in the CLASS DSA Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?
This answer will be prepopulated and based on whether the provider was a participant for the entire cost reporting period. If the prepopulated answer appears to be incorrect, please contact the Rate Analyst.

Is provider a participant in the PHC Priority Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?
This answer will be prepopulated and based on whether the provider was a participant for the entire cost reporting period. If the prepopulated answer appears to be incorrect, please contact the Rate Analyst.

Is provider a participant in the PHC Non-Priority Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?
This answer will be prepopulated and based on whether the provider was a participant for the entire cost reporting period. If the prepopulated answer appears to be incorrect, please contact the Rate Analyst.

Was an accrual method of accounting used for reporting all revenues, expenses and statistical information on this report, except for where instructions require otherwise?
Click either "Yes" or "No". If "No", provide a reason in the Explanation Box. For the definition of the accrual method of accounting, see the **DEFINITIONS** section. An accrual method of accounting must be used in reporting information on Texas Medicaid cost reports in all areas except those in which instructions or cost-reporting rules specify otherwise. Cost reports submitted using a method of accounting other than accrual will be returned to the provider, unless the provider is a governmental entity (i.e., Type of Ownership is in the Government column) using the cash method or modified accrual method. Refer to 1 TAC §355.105(b)(1) for additional information on accounting methods.

Did the preparer(s) of this report review the most recently received audit adjustments and make the necessary revisions when preparing this report?
Click either "Yes" or "No". If the answer is "No", provide an Explanation. Each provider should review the most recent cost report audit results (desk review or field audit) and make any necessary changes to the current cost reports. (Refer to 1 TAC §355.107.) If the provider is in the process of appealing an audit adjustment when the current cost report is submitted, the preparer is still required to make any necessary changes resulting from the prior cost report audit or informal review decision. The provider may include an explanation of the provider's disagreement with the manner in which a particular cost has been required to be reported as a result of the previous audit or informal review.

Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report?
Click either "Yes" or "No". Each provider must maintain reconciliation work papers and any additional supporting work papers (such as invoices, canceled checks, tax reporting forms, allocation spreadsheets, financial statements, bank statements, and any other documentation to support the existence, nature, and allowability of reported information) detailing allocation of costs to all contracts/grants/programs/business entities. In order to facilitate the audit process, it is recommended that the cost report preparer attach a reconciliation worksheet, with its foundation being the provider's year-end trial balance. Refer to 1 TAC §355.105(b)(2)(A).

Are you reporting Central Office expenses in this report?
Click either "Yes" or "No". If "Yes" is clicked, then upload the Central Office Allocation Methodology.

Are you reporting any allocated Non-Central Office Program Administration expenses?
Click either "Yes" or "No". If "Yes" is clicked, then the Non-Central Office Program Administration Allocation Methodology must be uploaded to the report. This situation would occur when the Program Administrator is a Central Office employee, but directly charges their CBA, PHC, CLASS CMA or CLASS DSA Program Administrator time to the program.

Step 5 UNITS OF SERVICE AND REVENUE

Step 5a (REQUISITION FEE REVENUE), ***Step 5b (ATTENDANT UNITS)***, ***Step 5c (NON-ATTENDANT UNITS)*** and ***Step 5d (ASSESSMENT UNITS)*** do not apply to every program included in the CPC Cost Report, nor do all data entry fields in these steps apply to every program. If a step or data entry is not required due to the type of contracts included in the CPC Cost Report, the applicable steps and/or data entry fields will be disabled. A CPC Cost Report that includes all four programs will have all steps and data entry fields in ***Step 5*** enabled.

For example, a CPC Cost Report that only includes PHC and CLASS DSA contracts will only need to report PHC attendant units of service in ***Step 5b***, CLASS Case Management units of service in ***Step 5c*** and CLASS Case Management Agency Partial and Full Assessments in ***Step 5d***. As a result, the following steps and data entry fields will be *disabled*:

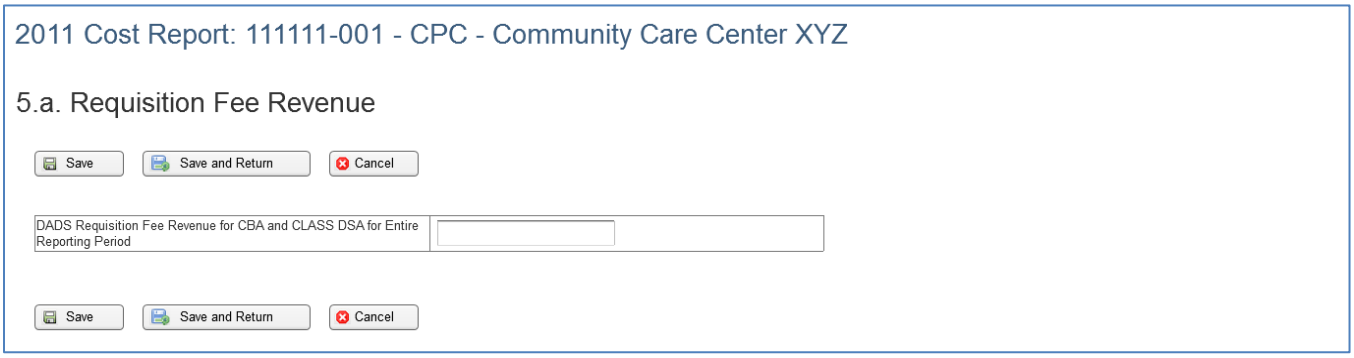
- ***Step 5a***;
- All data entry fields relating to CBA Personal Assistance Services (PAS), CLASS Habilitation (Hab) and CLASS Supported Employment in ***Step 5b***;
- All data entry fields related to Registered Nurse (RN), Licensed Vocational Nurse (LVN), Physical Therapy (PT), Occupational Therapy (OT), Speech/Language Therapy (ST), Behavioral Support, Dietary Services, Auditory Enhancement Training, In-Home Respite (IHR) and Out-of Home Respite (OHR) in ***Step 5c***; and
- CBA Pre-Enrollment Assessment and CLASS Direct Service Agency Partial and Full Assessments in ***Step 5d***.

As a second example, a CPC Cost Report that includes only CBA and CLASS DSA will have all data entry fields *enabled* <u>except</u> Priority Primary Home Care in ***Step 5b***, CLASS Case Management in ***Step 5c*** and CLASS Case Management Agency Partial and Full Assessments in ***Step 5d***.

The programs to which each step and data entry fields apply are included in the instructions for each specific step.

Step 5a Requisition Fee Revenue

NOTE: This step applies to CBA and CLASS DSA.



DADS Requisition Fee Revenue for CBA and CLASS DSA for Entire Reporting Period
If the provider received revenues for requisition fees for obtaining adaptive aids, minor home modifications and/or dental services during the year, report the total amount of requisition fee revenues for both programs here. Do not include amounts for the vouchered services themselves, only the requisition fees paid to the contracted provider.

Step 5b Attendant Units of Service and Revenue:

Important Note. *There IS no location for entering Medicaid revenues for CBA, PHC, CLASS CMA or CLASS DSA services. Those revenues are not to be entered in the cost report.*

NOTE: This step applies to CBA, PHC and CLASS DSA. Within this step, the programs are specified for each set of data entry fields.

In this screen, the preparer will enter the Attendant staff Medicaid units of service by program and service type, and the Private and Other units of service and related Private and Other revenue by program and service type. The provider must breakdown these units and revenues into multiple rate periods based on when the Medicaid payment rates changed during the provider's cost report year. The rate periods for each program may differ. The data should be reported based on the date of service provision and not by the date revenues were received – in other words, on the accrual basis. If the provider's reporting period begins or ends in the middle of a rate period, only report the units of service during the provider's reporting period. If a rate period falls completely outside of a provider's reporting period, the preparer will not be able to make entries in the fields for that rate period.

Private and Other units include services provided for which the provider was not entitled to reimbursement from the Medicaid programs. The units may be unreimburseable due to not having been properly documented, not having been properly billed before the billing cut-off, provided to a person who was not Medicaid eligible at the time of service provision or for some other reason.

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5.b. Attendant Units of Service and Revenue

⚠ DO NOT include any units of service that were provided outside the reporting period for this report of CPC 09/01/2011 through 08/31/2012, even if these dates fall in the middle of a date range listed below.

Save | Save and Return | Cancel

CBA Personal Assistance Services (PAS)

	Units of Service				
Service	2/1/2011 - 8/31/2011	9/1/2011 - 8/31/2012	9/1/2012 - 12/31/2012	Total Units	Private and Other Revenue
DADS PAS				0	
Private and Other PAS				0	
TOTAL PAS Units	0	0	0	0	0

CLASS Habilitation (Hab)

	Units of Service				
Service	2/1/2011 - 8/31/2011	9/1/2011 - 8/31/2012	9/1/2012 - 12/31/2012	Total Units	Private and Other Revenue
DADS Hab				0	
Private and Other Hab				0	
TOTAL Hab Units	0	0	0	0	0

CLASS Supported Employment (SE)

	Units of Service				
Service	2/1/2011 - 8/31/2011	9/1/2011 - 8/31/2012	9/1/2012 - 12/31/2012	Total Units	Private and Other Revenue
DADS SE				0	
Private and Other SE				0	
TOTAL SE Units	0	0	0	0	0

Priority PHC (Includes Primary Home Care, Family Care and Community Attendant Services)

	Units of Service				
Service	2/1/2011 - 8/31/2011	9/1/2011 - 8/31/2012	9/1/2012 - 12/31/2012	Total Units	Private and Other Revenue
DADS Priority PHC				0	
Private and Other Priority PHC				0	
TOTAL Priority PHC Units	0	0	0	0	0

Non-Priority PHC (Includes Primary Home Care, Family Care and Community Attendant Services)

	Units of Service				
Service	2/1/2011 - 8/31/2011	9/1/2011 - 8/31/2012	9/1/2012 - 12/31/2012	Total Units	Private and Other Revenue
DADS Non-Priority PHC				0	
Private and Other Non-Priority PHC				0	
TOTAL Non-Priority PHC Units	0	0	0	0	0

STAR+PLUS

	Units of Service				
Service	2/1/2011 - 8/31/2011	9/1/2011 - 8/31/2012	9/1/2012 - 12/31/2012	Total Units	STAR+PLUS Revenue
STAR+PLUS Non-SPW PAS				0	
STAR+PLUS SPW PAS				0	
TOTAL STAR+PLUS Units	0	0	0	0	0

Save | Save and Return | Cancel

Step 5c Non-Attendant Units of Service and Revenue:

Important Note. *There IS no location for entering Medicaid revenues for CBA, PHC, CLASS CMA or CLASS DSA services. Those revenues are not to be entered in the cost report.*

NOTE: This step applies to CBA, CLASS CMA and CLASS DSA. The data entry fields apply to the individual programs as follows:

- ***Registered Nurse (RN)*** – CBA and CLASS DSA
- ***Licensed Vocational Nurse (LVN)*** – CBA and CLASS DSA
- ***Physical Therapy (PT)*** – CBA and CLASS DSA
- ***Occupational Therapy (OT)*** – CBA and CLASS DSA
- ***Speech/Language Therapy (ST)*** – CBA and CLASS DSA
- ***Behavioral Support*** – CLASS DSA
- ***Dietary Services*** – CLASS DSA
- ***Auditory Enhancement Training*** – CLASS DSA
- ***Out-of-Home Respite*** – CLASS DSA
- ***In-Home Respite*** – CBA and CLASS DSA
- ***CLASS Case Management*** – CLASS CMA

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5.c. Non-Attendant Units of Service and Revenue

Save | Save and Return | Cancel

	Units Of Service		Revenue
Service	Medicaid	Private and Other	Private and Other Revenue
Registered Nurse (RN)			
Licensed Vocational Nurse (LVN)			
Physical Therapy (PT)			
Occupational Therapy (OT)			
Speech/Language Therapy (ST)			
Behavioral Support			
Dietary Services			
Auditory Enhancement Training			
In-Home Respite (IHR)			
Out-of-Home Respite (OHR)			
CLASS Case Management			
TOTAL	0	0	$0

Save | Save and Return | Cancel

In this screen, the preparer will enter the Non-Attendant staff Medicaid and Private and Other units of service by service type, and the related Private and Other revenue by service type. CBA and CLASS Registered Nurse (RN), Licensed Vocational Nurse (LVN), Physical Therapy (PT), Occupational Therapy (OT), Speech/Language Therapy (ST) and In-Home Respite (IHR) units of service are combined and reported in the Medicaid Units of Service data entry field in this step, regardless of the program in which the services are authorized, delivered and billed. Behavioral Support, Dietary Services, Auditory Enhancement Training and Out-of-Home Respite are only allowable in CLASS DSA, and CLASS Case Management is only available in CLASS CMA, so it is not necessary to combine these units of service with those of another DADS program.

The data should be reported based on the date of service provision and not by the date revenues were received – in other words, on the accrual basis.

Private and Other units include services provided for which the provider was not entitled to reimbursement from the Medicaid programs. The units may be unreimburseable due to not having been properly documented, not having been properly billed before the billing cut-off, provided to a person who was not Medicaid eligible at the time of service provision or for some other reason.

Step 5d Assessment Units:

NOTE: This step applies to CBA, CLASS CMA and CLASS DSA. Within this step, the programs are specified for each set of data entry fields.

In this screen, the preparer will report the number of assessments completed during the cost reporting period and the revenue received for those assessments. This is the only step in which the preparer will report Medicaid Revenue. Report the number of CLASS Partial Assessments separate from the number CLASS Full Assessments, and CLASS CMA Assessments separate from and CLASS DSA Assessments.

In addition to the number of assessments and revenue, the preparer must also report the number of staff hours to complete each type of assessment. The data fields are enabled according to which type of staff DADS program rules allow to complete or contribute to the individual assessments. Do not include the hours to complete these assessments in the units of service reported in ***Step 5b,*** and ***Step 5c***, as applicable, as this time is not billable as units of service.

The data should be reported based on the date of service provision and not by the date revenues were received – in other words, on the accrual basis.

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5.d. Assessment Units of Service and Revenue

Save | Save and Return | Cancel

Staff Hours to Complete Assessment

Type of Assessment	Number of Assessments	Revenue	Case Manager	RN	LVN	Physical Therapy	Occupational Therapy	Speech / Language Therapy	Hab Worker	Other
CBA Pre-Enrollment Assessment										
Class Case Management Agency (CMA) Partial Assessment										
Class CMA Full Assessment										
Class Direct Service Agency (DSA) Partial Assessment										
Class DSA Full Assessment										

Save | Save and Return | Cancel

Step 6 WAGES AND COMPENSATION

Step 6c (ATTENDANT) and ***Step 6d (NON-ATTENDANT)*** do not apply to every program included in the CPC Cost Report, nor do all data entry fields in these steps apply to every program. If a step or data entry is not required due to the type of contracts included in the CPC Cost Report, the applicable steps and/or data entry fields will be disabled. A CPC Cost Report that includes all four programs will have all steps and data entry fields in ***Step 6*** enabled. ***Step 6a (GENERAL INFORMATION)***, ***Step 6b (RELATED PARTY)*** and ***Step 6e (ADMINISTRATIVE AND OPERATIONS PERSONNEL)*** are applicable to all CPC Cost reports, regardless of the contracts included in the report.

For example, a CPC Cost Report that only includes PHC and CLASS DSA contracts will only need to report data ***Step 6a***, ***Step 6b*** (if applicable), PHC attendant wages and compensation in ***Step 6c***, CLASS Case Management wages and compensation in ***Step 6d*** and ***Step 6e***. As a result, the following steps and data entry fields will be *disabled*:

- All data entry fields relating to CBA Personal Assistance Services (PAS), CLASS Habilitation (Hab) and CLASS Supported Employment in ***Step 6c***; and
- All data entry fields related to Registered Nurse (RN), Licensed Vocational Nurse (LVN), Physical Therapy (PT), Occupational Therapy (OT), Speech/Language Therapy (ST), Behavioral Support, Dietary Services, Auditory Enhancement Training, In-Home Respite (IHR) and Out-of Home Respite (OHR) in ***Step 6d***.

As a second example, a CPC Cost Report that includes only CBA and CLASS DSA will have all data entry fields *enabled* <u>except</u> Priority Primary Home Care in ***Step 6c*** and CLASS Case Management in ***Step 6d***.

The programs to which each step and data entry fields apply are included in the instructions for each specific step.

Step 6a General Information

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6.a. General Information

Save | Save and Return | Cancel

Do you have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses.	Yes - Non-Related Party / Yes - Related Party / No
Do you have any employee-related self-insurance expenses to report on this cost report?	Yes / No
Please select Yes or No for all of the following self-insurance expenses.	
Health/Dental	Yes / No
Workers' compensation	Yes / No
Disability	Yes / No
Other	Yes / No
Total number of central office staff employed by the controlling entity on the last day of the cost-reporting period. How many worked 30 hours or less a week?	Number Employed: / Number worked 30 hours or less:
Total number of non-central office staff employed by the contracted provider on the last day of the cost-reporting period. How many worked 30 hours or less a week?	Number Employed: / Number worked 30 hours or less:
Do you have any Related-Party Wages and Compensation (Employee or Contractor) included in the Cost Report?	Yes / No
Did your company offer health insurance to its employees on or before March 23, 2010?	Yes / No
Is that coverage still in effect?	Yes / No
Does the health insurance your company offers include all of the following benefits: inpatient, outpatient and emergency services; maternity and newborn care; mental and behavioral health services; prescription drugs; rehabilitation and habilitation services; laboratory services; disease management; preventative and wellness services; pediatric care? (If your company does not offer health insurance, answer 'No'.)	Yes / No

Save | Save and Return | Cancel

Do you have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses.
Click "Yes – Non-Related Party", "Yes – Related Party" or "No". See **DEFINITIONS**, *MANAGEMENT SERVICES* in these instructions. The written management agreement must specify the management services to be rendered and the fee to be paid for those services. Upload a properly cross-referenced copy of the executed management agreement signed by all interested parties. Submission of the management agreement with a prior year's cost report does not exempt a contracted provider from the requirement to submit another copy with the current cost report. If there is no written management agreement, upload a cross-referenced attachment explaining why there is no written management agreement for contracted management services. See also 1 TAC §355.103(b)(3) of the Cost Determination Rules.

If the contracted management services are provided by a **related party** (see **DEFINITIONS**, *RELATED PARTY*), allowable management fees are limited to the actual costs incurred by the related party for materials, supplies, and services provided, but must not exceed comparable materials, supplies and services that could be purchased or leased elsewhere in an arm's length transaction, in accordance with 1 TAC §355.103(b)(3)(A). These costs are entered in the Central Office cost area in their specific cost categories (see ***Step 8f (FACILITY AND OPERATIONS COSTS, Non-Related Party Facility, Operations, Administrative and Other Direct Care Costs)***). Reasonable management fees paid to unrelated parties are allowable costs and are reported in ***Step 8f.***

Do you have any employee-related self-insurance expenses to report on this cost report?
If "Yes," answer the next question. If "No," skip the next question and proceed with the rest of the questions.

Please select "Yes" or "No" for the following self-insurance expenses that you are reporting on this cost report.
If previous question was answered "Yes" then click on each self-insurance category reported on this cost report.

Total number of central office staff employed by the controlling entity on the last day of the cost-reporting period. How many worked 30 hours or less a week?
See below.

Total number of non-central office staff employed by the controlling entity on the last day of the cost-reporting period. How many worked 30 hours or less a week?
It is important to count employees only once. Enter the number of employees employed on the last day of the reporting period, not the number of full-time equivalents. Employees that worked in both a central office and a non-central office position should be reported as central office employees only. Do not include contract labor or consultants.

Do you have any Related-Party Wages and Compensation (Employee or Contractor) included in the Cost Report?
Click "Yes" or "No". See **DEFINITIONS**, *RELATED PARTY*) to determine if provider must report a related party. If the preparer clicks "Yes" then the Step on the main Wages and Compensation page called ***Step 6b*** (***Related-Party Wages and Compensation)*** will be activated for entry.

Did your company offer health insurance to its employees on or before March 23, 2010? If "Yes", is that coverage still in effect?
Click "Yes" or "No" to each question.

Does the health insurance your company offers include all of the following benefits: inpatient, outpatient and emergency services; maternity and newborn care; mental and behavioral health services; prescription drugs; rehabilitation and habilitation services; laboratory services; disease management; preventative and wellness services; pediatric care? (If your company does not offer health insurance, answer "No".):
Click "Yes" or "No".

Documentation Requirements for all wages, compensation and benefits
All staff whose duties include multiple attendant services (e.g., direct care workers, direct care trainers, and job coaches) and/or both attendant services and non-attendant services must maintain daily, continuous timesheets. The daily timesheet must document, for each day, the person's start time, stop time, total hours worked, and the actual time worked (in increments no greater than 30 minutes) performing each separate function to be reported in different lines of the cost report. Time must be directly charged and allocation of time is not acceptable in such situations.

Required documentation of attendant service staff hours and compensation includes, but is not limited to, timesheets (for staff performing more than one function or working for more than one entity), job descriptions, payroll records and written policies relating to compensation and benefits.

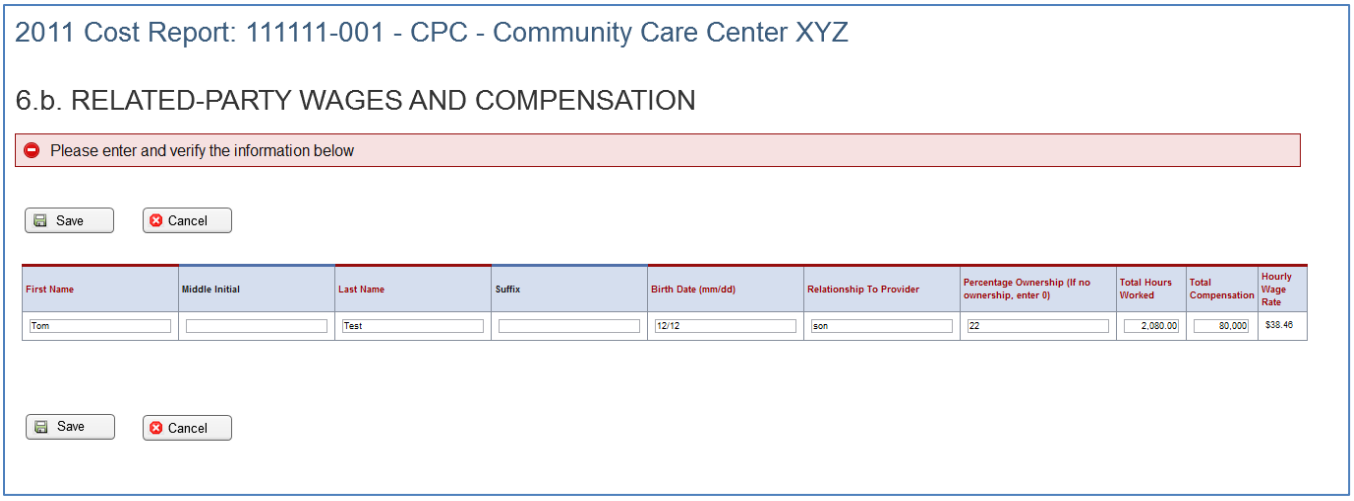
See 1 TAC §355.103(b)(2) and §355.105(b)(2)(xi) for specific information about allowable costs and documentation requirements for related-party wages and compensation.

Step 6b Related-Party Wages and Compensation.

This Step will be disabled and the preparer will not be able to make entries if the answer was "No" to the question regarding Related Party Wages and Compensation on ***Step 6a*** *above. If that question was erroneously answered "No", the preparer will need to return to that item and change the response to "Yes" to be able to enter data in this Step.*

For each owner-employee, related-party employee and/or related-party contract staff:

1. *Click "Add record"*



A. First Name
B. Middle Initial
C. Last Name
D. Suffix – e.g. Jr., III, Sr.
E. Birth Date – Format as mm/dd (e.g. 10/26 for October 26). Year is not requested.
F. Relationship to Provider – This could be blood relationship (Father, Sister, Daughter, Aunt), marriage relationship (Wife, Mother-in-Law, Brother-in-Law), Ownership (in the case of a corporation or partnership), or control (membership in board of directors, membership in related board of directors, etc.)
G. Percentage Ownership (in cases of corporation or partnership)
H. Total Hours Worked – Total hours worked for all entities within the entire combined entity. If the related party was paid for a "day of service", then multiply that day by 8 to report hours.
I. Total Compensation – Total compensation (wages, salary and/or contract payments) paid to the related party by all entities within the entire combined entity. It is expected that all individuals will have received some form of compensation from within the combined entity.

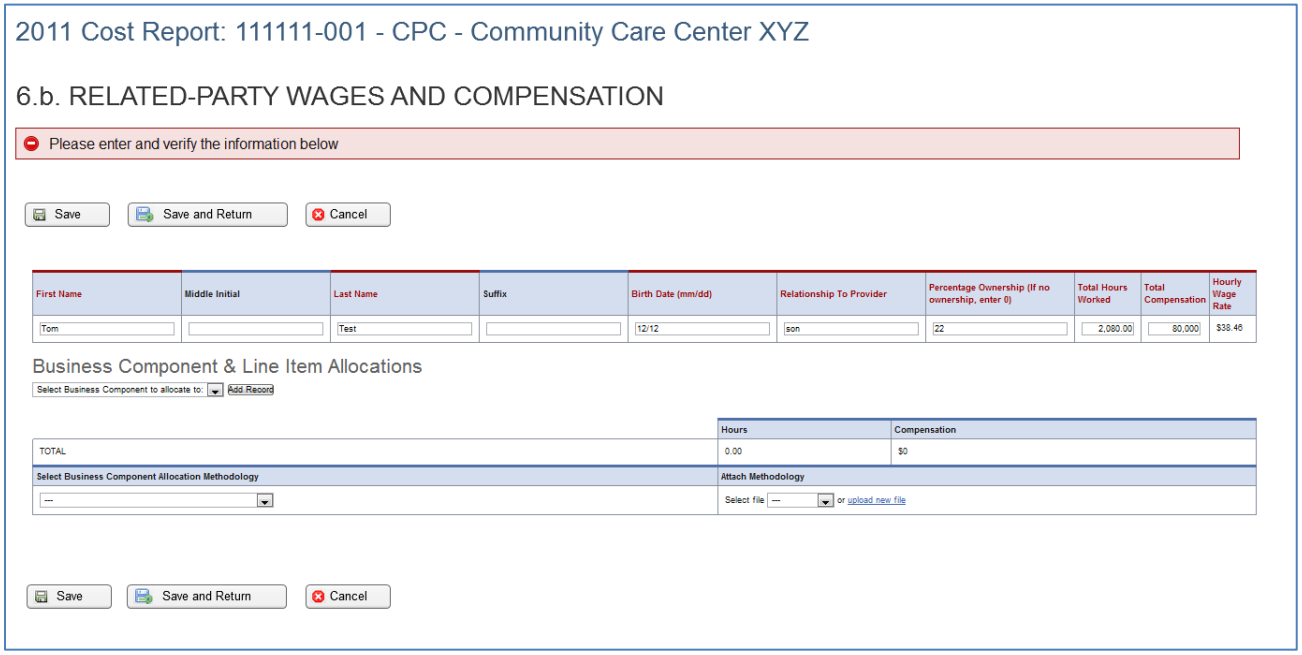
Note: This must be actual compensation, without any adjustments based on related-party status. Any adjustments required by 1 TAC 355.105(i) will be made automatically in STAIRS during the audit process.

J. Hourly Wage Rate – Calculated figure based on Total Compensation divided by Total Hours Worked.

Note: If the preparer needs to delete a related-party after filling out the data fields for A thru J listed above, preparer must zero out the Total Hours Worked as well as the Hours listed on the grey bar. Click on the individual to delete and on Delete Record.

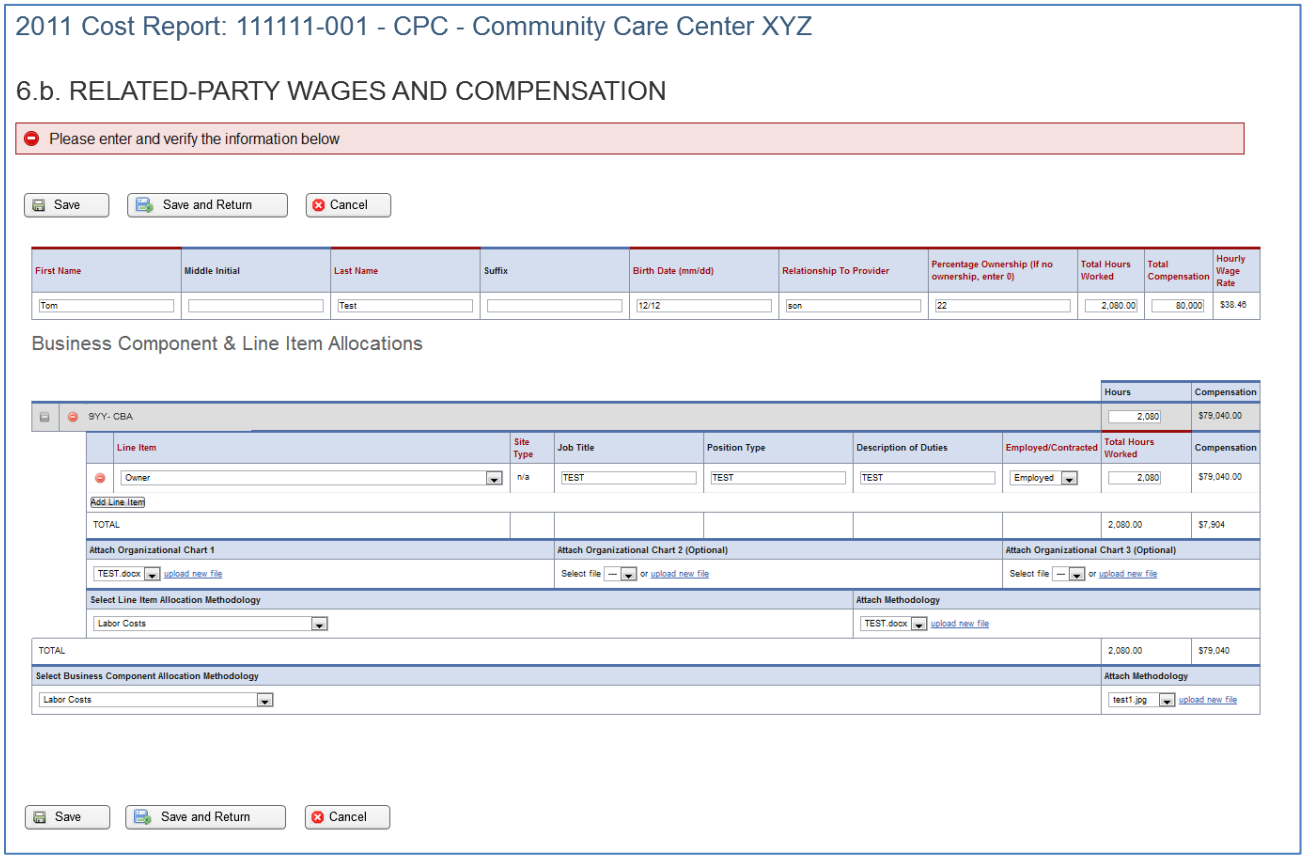
2. *Click "Save" to enter Business Component and Line Item Allocation(s)*

The available business components are limited to the businesses and contracts entered in ***Step 3 (CONTRACT MANAGEMENT)***. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to ***Step 3b (CONTRACT MANAGEMENT, Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity)*** and enter the missing business component data. Allocate or direct cost all hours reported for the individual under Total Hours Worked and Total Compensation to a business component before proceeding. The Hourly Wage Rate will automatically be calculated. If allocated, an allocation method must be chosen and an allocation summary uploaded when prompted.



A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, the drop down menu does not appear and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Line Item information for each business component. Choose and Click "Add Record" until all business components to which this related party will be allocated have been added.

3. Enter Line Item Allocation(s)



A. Hours – On the grey bar, enter hours allocated or direct costed to each business component. Compensation amount will be automatically calculated.
B. Line Item – The drop-down menu includes all staff types reportable in this cost report. Attendant staff types may only be used for staff who meet the definition of attendant. See **DEFINITIONS**, *ATTENDANT CARE FOR COMMUNITY*. Note both which staff can be classified as an attendant, and which cannot.
C. Job Title – Related Party's title within the specific business component
D. Position Type - Identify the type of position (e.g., central office, management, administrative, direct care, nurse, or direct care supervisory) filled by the related individual.
E. Description of Duties – Provide a description of the duties performed by the related individual as they relate to the specific cost report or upload a copy of the person's written job description, providing a summary of how those duties relate to the specific cost report, and reference that upload in this item.
F. Employed/Contracted –Select either Contracted or Employed. If it happens that the related party is compensated during the year both as an employee and as a contractor for the same activity, then the hours for contracted would have to be entered separately from the hours for employed.
G. Total Hours Worked – Enter hours allocated or direct costed to each area. Allocate or direct cost all hours reported for the individual for the business component to an area before proceeding. Compensation will automatically be calculated.

H. Organizational chart – Upload an organizational chart or select from the drop down menu of documents that have already been uploaded.
I. Line Item Allocation Methodology – If allocated to multiple line items, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple line items entered.
J. Business Component Allocation Methodology – After all business component line item allocations have been completed, reporting a related party in multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

Step 6c Attendant Non-Related Party Wages and Benefits

NOTE: This step applies to CBA, PHC and CLASS DSA. Within this step, the programs are specified for each set of data entry fields.

2011 Cost Report: 904 - CBA/CLASS -- Community Care Center XYZ

6.c. Attendant

Save | Save and Return | Cancel

	Non-Related Party				Related Party				Related Party and Non-Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	Total Compensation	Average Staff Rate	Average Contracted Rate	Average Mileage Reimbursement per Mile
A	B	C	D	E	F	G	H	I	J	K	L	M (C+E+G+I+J+L)	N [(C+G)/(B+F)]	O [(E+I)/(D+H)]	P (L/K)
CBA Personal Assistance Services (DADS and Private/Other - Exclude STAR+PLUS)												$0	$0.00	$0.00	$0.00
CLASS Habilitation (DADS and Private/Other)					0.00	$0						$0	$0.00	$0.00	$0.00
CLASS Supported Employment (DADS and Private/Other)												$0	$0.00	$0.00	$0.00
PHC Priority (DADS and Private/Other)												$0	$0.00	$0.00	$0.00
PHC Non-Priority (DADS and Private/Other)												$0	$0.00	$0.00	$0.00
STAR+PLUS												$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	0	$0	$0			

Save | Save and Return | Cancel

<u>Columns B-E: Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment:</u> These columns are for non-related party attendants **ONLY**. All related-party attendants must be entered through ***Step 6b*** above. For each attendant staff service type (CBA PAS. CLASS Hab, CLASS Supported Employment, PHC Priority, PHC Non-Priority and STAR+PLUS)

enter hours, wages and contract compensation for non-related party employees and contract staff who meet the definition of an attendant. See **DEFINITIONS**, *ATTENDANT CARE*. Only employee and contracted staff who meet the definition of attendant may be reported in these cost items. Note that only CLASS Supported Employment and STAR+PLUS attendants may be contracted; CBA PAS, CLASS Hab, PHC Priority and PHC Non-Priority must be staff. The data entry fields for attendants for these services have been disabled.

Total Staff and Contract Hours should include the total number of hours for which employees and contract labor attendants were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.).

Columns F-I: Related-Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment: If there are related-party employee and/or contract attendant staff reported in ***Step 6b*** above, these columns are automatically populated after all nonrelated-party costs in Columns B-E have been entered.

Column J: Employee Benefits/Insurance: This column is for BOTH related and non-related party employee attendant staff. For all attendants, by service type, include the following benefits in this column. These benefits, with the exception of paid claims where the employer is self-insured, must be direct costed, not allocated.

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums
- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. 1 TAC §355.103(b)(1)(A)(iii)(III)(-c-).

Note: COSTS THAT ARE NOT EMPLOYEE BENEFITS Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items in ***Step 8f (FACILITY AND OPERATIONS COSTS, Non-Related Party Facility, Operations, Administrative and Other Direct Care Costs)***, unless they are subject to payroll taxes, in which case they are to be reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III)(-e-) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Columns K and L: Miles Traveled and Mileage Reimbursement: These columns are for BOTH related and non-related party employee attendant staff. For all attendants, by service type, include the personal

vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation includes mileage and reimbursements of attendant staff who transport individuals to/from CBA PAS, CLASS Hab, CLASS SE, PHC Priority, PHC Non-Priority and STAR+PLUS program services and activities in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. Allowable travel and transportation also includes mileage and reimbursements of attendant staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 1/1/11 – 6/30/11 51 cents per mile
- 7/1/11 – 12/31/12 55.5 cents per mile

Column M: Total Compensation: This column is the sum of Columns C, E, G, I, J and L and represents Total Attendant Compensation for that service type.

Column N: Average Staff Rate: This column is the result of Columns C + G divided by Columns B + F and represents the average hourly wage rate of all employee staff, both related party and non-related party.

Column O: Average Contract Rate: This column is the result of Columns E + I divided by Columns D + H and represents the average hourly contract rate of all contract staff, both related party and non-related party.

Column P: Average Mileage Reimbursement per Mile: This column is the result of Column L divided by Column K. This amount should never be greater than the highest allowable mileage rate for the provider's fiscal year.

Step 6d Non-Attendant Non-Related Party Wages and Benefits

NOTE: This step applies to CBA, CLASS CMA and CLASS DSA. The data entry fields apply to the individual programs as follows:

- ***Registered Nurse (RN)*** – CBA and CLASS DSA
- ***Licensed Vocational Nurse (LVN)*** – CBA and CLASS DSA
- ***Physical Therapy (PT)*** – CBA and CLASS DSA
- ***Occupational Therapy (OT)*** – CBA and CLASS DSA
- ***Speech/Language Therapy (ST)*** – CBA and CLASS DSA
- ***Behavioral Support*** – CLASS DSA
- ***Dietary Services*** – CLASS DSA
- ***Auditory Enhancement Training*** – CLASS DSA
- ***Out-of-Home Respite*** – CLASS DSA
- ***In-Home Respite*** – CBA and CLASS DSA
- ***CLASS Case Management*** – CLASS CMA

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6.d. Non-Attendant

Save | Save and Return | Cancel

	Non-Related Party				Related Party				Related Party and Non-Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	Total Compensation	Average Staff Rate	Average Contracted Rate	Average Mileage Reimbursement per Mile
A	B	C	D	E	F	G	H	I	J	K	L	M (C+E+G+I+J+L)	N [(C+G)/(B+F)]	O [(E+I)/(D+H)]	P (L/K)
Registered Nurse (RN)												$0	$0.00	$0.00	$0.00
Licensed Vocational Nurse (LVN)												$0	$0.00	$0.00	$0.00
Physical Therapy (PT)												$0	$0.00	$0.00	$0.00
Occupational Therapy (OT)												$0	$0.00	$0.00	$0.00
Speech/Language Therapy (ST)												$0	$0.00	$0.00	$0.00
Behavioral Support												$0	$0.00	$0.00	$0.00
Dietary Services												$0	$0.00	$0.00	$0.00
Auditory Enhancement Training												$0	$0.00	$0.00	$0.00
In-Home Respite (IHR)												$0	$0.00	$0.00	$0.00
CLASS Case Management												$0	$0.00	$0.00	$0.00
Out-of-Home Respite (OHR)												$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	0	$0	$0			

Save | Save and Return | Cancel

The first section:

Columns B-E: Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours, and Total Contract Payment: These columns are for non-related party staff of the listed staff types only. Compensation for administrative staff types will be collected in a separate Step of the cost report. All related-party staff must be entered through ***Step 6b*** above. For each service type enter hours, wages, and contract compensation for non-related party employees and contract staff. All staff reported here perform either non-attendant care or non-administrative, indirect care functions.

Total Staff and Contract Hours should include the total number of hours for which employees and contract staff were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.). Note that CLASS DSA Out-of-Home Respite is provided outside the participant's home, and is therefore a contracted service. The data entry fields for staff hours and wages have been disabled.

Pay for being "on-call" is reported as salaries by staff type but only on-call hours actually worked performing a specific function can be reported as time. For example, if a RN was on call for an entire weekend and received $200 as on-call compensation, the total $200 would be reported as wages or compensation. If the RN was required for three hours to provide assistance to staff while on-call during the weekend, only three hours would be reported as paid hours and not the full 48 hours of the weekend.

For staff whose work hours are split between direct nonattendant and indirect service functions and administrative and operations functions (e.g., part-time Registered Nurse and part-time administrator) report in this Step only the hours and compensation associated with the provision of direct nonattendant care (e.g., the part-time Registered Nurse hours).

Columns F-I: Related-Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment: If there are related-party employee and/or contract staff as described above reported in ***Step 6b***, these columns are automatically populated after all nonrelated-party costs in Columns B-E have been entered.

Column J: Employee Benefits/Insurance: This column is for BOTH related and non-related party employee staff. For all staff reported in *Non-attendants* compensation above, include the following benefits in this column. These benefits, with the exception of paid claims where the employer is self-insured, must be direct costed, not allocated.

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums
- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. 1 TAC §355.103(b)(1)(A)(iii)(III)(-c-).

Note: COSTS THAT ARE NOT EMPLOYEE BENEFITS Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items, unless they are subject to payroll taxes, in which case they are reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III)(-e-) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Columns K and L: Miles Traveled and Mileage Reimbursement: These columns are for BOTH related and non-related party staff. For all staff reported in *Non-attendants* compensation above, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation includes mileage and reimbursements of these staff who transport individuals to/from CBA, PHC, CLASS CMA or CLASS DSA program services and activities in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. Allowable travel and transportation also includes mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 1/1/11 – 6/30/11 51 cents per mile
- 7/1/11 – 12/31/12 55.5 cents per mile

Column M: Total Compensation: This column is the sum of Columns C, E, G and I and represents Total Non-Attendant Compensation for that service type.

Column N: Average Staff Rate: This column is the result of Columns C + G divided by Columns B + F and represents the average hourly wage rate of all employee staff, both related party and non-related party.

Column O: Average Contract Rate: This column is the result of Columns E + I divided by Columns D + H and represent the average hourly contract rate of all contract staff, both related party and non-related party.

Column P: Average Mileage Reimbursement per Mile: This column is the result of Column D divided by Column C. This amount should never be greater than the highest allowable mileage rate for the provider's fiscal year.

Step 6e Administrative and Operations Personnel Wages and Benefits

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6.e. Administrative and Operations Personnel

Save | Save and Return | Cancel

	Non-Related Party				Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Compensation	Average Staff Rate	Average Contracted Rate
A	B	C	D	E	F	G	H	I	J (C+E+G+I)	K [(C+G)/(B+F)]	L [(E+I)/(D+H)]
Administrator									$0	$0	$0
Assistant Administrator									$0	$0	$0
Owner									$0	$0.00	$0.00
Other Administrative Staff									$0	$0	$0
Field/First Line Supervisors									$0	$0.00	$0.00
Other Facility & Operations (including Maintenance and Transportation) Staff									$0	$0	$0
Central Office Staff									$0	$0	$0
TOTAL	0	$0	0	$0	0.00	$0	0.00	$0	$7	$1.00	$1.00

	Non-Related & Related Party				
Type	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	TOTAL	Average Mileage Reimbursement per Mile
A	B	C	D	E (B+D)	F (D/C)
Administrative and Operations Staff				$0	$0.00
Central Office Staff				$0	$0.00
TOTAL	$0	0	$0	$0	$0.00

Save | Save and Return | Cancel

<u>Columns B-E: Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment:</u> These columns are for **non-related party staff** of the listed staff types **ONLY**. All related-party staff must be entered through ***Step 6b*** above. For each staff type enter hours, wages and contract compensation for non-related party employees and contract staff. All staff reported here perform administrative or operations functions.

Total Staff and Contract Hours should include the total number of hours for which employees and contract staff were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.).

For staff whose work hours are split between direct administrative and operations functions and other functions (e.g., part-time RN direct service and part-time RN Supervisor) report in this Step only the hours and compensation directly associated with the provision of administrative and operations functions and supported by timesheets (e.g., the part-time RN Supervisor hours and compensation).

There should be no allocated costs reported in Administrator, Assistant Administrator, Owner or Other Administrative Staff, **with the exception of the Administrator/Director whose costs must be reported in the designated line whether they are directly charged or allocated**.

- **Owner** – Enter here only if an Owner, Partner, or Stockholder is employed in an administration position other than Administrator, Assistant Administrator, or central office employee.
- **Other Administrative Staff** – Enter here any other professional and nonprofessional administrative personnel such as Financial, Clerical, Human Resources, etc., staff.
- **Field/First Line Supervisors** – Enter here the hours and costs for staff whose duties are to coordinate and oversee the provider's staff. This will include supervisors of non-attendant staff.
- **Other Facility & Operations (including Maintenance and Transportation) –** Enter here the hours and compensation for maintenance staff, transportation staff who were NOT reported as any other staff not otherwise captured as Attendants, Non-Attendants, Program Administration or Central Office staff.
- **Central Office Staff –** Enter here the allocated portion of shared administrative staff. If the Administrator has been allocated to the cost report from the central office, assure that the portion of costs reported as Administrator above is not also reported in this line item.

Columns F-I: Related-Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment: If there are related-party employee and/or contract staff as described above reported in ***Step 6b*** , these columns are automatically populated after all nonrelated-party costs in Columns B-E have been entered.

Column J: Total Compensation: This column is the sum of Columns C, E, G and I and represents Total *Administrative and Operations Personnel* Compensation for that staff type.

Column K: Average Staff Rate: This column is the result of Columns C + G divided by Columns B + F and represents the average hourly wage rate of all employee staff, both related party and non-related party.

Column L: Average Contract Rate: This column is the result of Columns E + I divided by Columns D + H and represents the average hourly contract rate of all contract staff, both related party and non-related party.

For the lower section:
Column B: Employee Benefits/Insurance: This column is for BOTH related and non-related party employee staff. For all staff reported in ***Step 6e***, include the following benefits in this column. These benefits, with the exception of paid claims where the employer is self-insured, must be direct costed, not allocated.

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums
- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. 1 TAC §355.103(b)(1)(A)(iii)(III)(-c-).

Note: COSTS THAT ARE NOT EMPLOYEE BENEFITS Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items, unless they are subject to payroll taxes, in which case they are reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III)(-e-) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Columns C and D: Miles Traveled and Mileage Reimbursement: These columns are for BOTH related and non-related party employee staff. For all staff reported in ***Step 6e***, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation includes mileage and reimbursements of these staff who transport individuals to/from CBA, PHC, CLASS CMA or CLASS DSA program services and activities in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. It also includes mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 1/1/11 – 6/30/11 51 cents per mile
- 7/1/11 – 12/31/12 55.5 cents per mile

Column E: Total of Benefits and Mileage Reimbursement: This column is the sum of Columns B + D.

Column F: Average Mileage Reimbursement per Mile: This column is the result of Column D divided by Column C. This amount should never be greater than the highest allowable mileage rate for the provider's fiscal year.

Step 7 PAYROLL TAXES AND WORKERS' COMPENSATION

Report costs for all staff in this Step. Report cost for non-central office employees separate from cost for central office employees.

If payroll taxes (i.e. FICA, Medicare, and state/federal unemployment) are allocated based upon percentage of salaries, the provider must disclose this functional allocation method. The use of percentage of salaries is not the salaries allocation method, since the salaries allocation method includes both salaries and contract labor.

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7. Payroll Taxes and Workers' Compensation

Save | Save and Return | Cancel

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs?	Yes No
Is your entity a Texas Workforce Commission Reimbursing Employer (e.g., not required to pay quarterly taxes to the Texas Workforce Commission (TWC) for unemployment coverage)?	Yes No
Attach if you have supporting documentation of exemption from TWC coverage	Select file --- or upload new file
Attach Supporting Documentation (e.g., TWC Form C-66R (0891) "Notice of Maximum Potential Charge - Reimbursing Employer" or a copy of a quarterly TWC report or notification letter from TWC)	Select file --- or upload new file

Taxes and Workers' Compensation	Non-Central Office	Central Office	Total
FICA & Medicare Payroll Taxes			$0
State & Federal Unemployment Taxes			$0
Workers' Compensation Premiums			$0
Workers' Compensation Paid Claims			$0

Save | Save and Return | Cancel

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs?
Click either "Yes" or "No". If "Yes" is clicked, provider must upload supporting documentation or select a file from the drop down menu of documents that have already been uploaded.

Is your entity a Texas Workforce Commission Reimbursing Employer?
Click either "Yes" or "No". If "Yes" is clicked, provider must upload supporting documentation or select a file from the drop down menu of documents that have already been uploaded.

For the following taxes, list separately those for Non-Central Office and for Central Office staff:

FICA & Medicare Payroll Taxes:
Report the cost of the employer's portion of these taxes. Do not include the employee's share of the taxes. Unless the provider has indicated that they participate in a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs or the provider has reported staff who are paid in excess of the FICA Wage Limit ($110,100 for 2012), this amount must equal 7.65% of reported wages.

State and Federal Unemployment Taxes:
Report both federal (FUTA) and Texas state (SUTA) unemployment expenses.

Workers' Compensation Premiums:
If the contracted provider is a subscriber to the Workers' Compensation Act, report here the Worker's Compensation insurance premiums paid to the provider's commercial insurance carrier. If the effective period of the provider's Workers' Compensation insurance policy does not correspond to the provider's fiscal year, it will be necessary to prorate the premium costs from the two policy periods falling within the provider's reporting period to accurately reflect the costs associated with the costreporting period. Premium costs include the base rate, any discounts for lack of injuries, any refunds for prior period overpayments, any additional modifiers and surcharges for experiencing high numbers of injuries (such as being placed in a risk pool), and any audit adjustments made during the cost-reporting period. The Texas Workers' Compensation Commission audits traditional Workers' Compensation insurance policies yearly and annual adjustments must be properly applied to the cost-reporting period on a cash basis.

If the contracted provider is not a subscriber to the Workers' Compensation Act, there are alternate insurance premium costs that can be reported in this item. Acceptable alternate insurance policies include industrial accident policies and other similar types of coverage for employee on-the-job injuries. Disability insurance and health premiums are ***not*** considered alternate workers' compensation policies and those costs must be reported as employee benefits (if subject to payroll taxes, they must be reported as salaries). A general liability insurance policy, according to the Texas Department of Insurance, specifically excludes payment for employee on-the-job injuries; therefore, general liability premium costs must not be reported on this item.

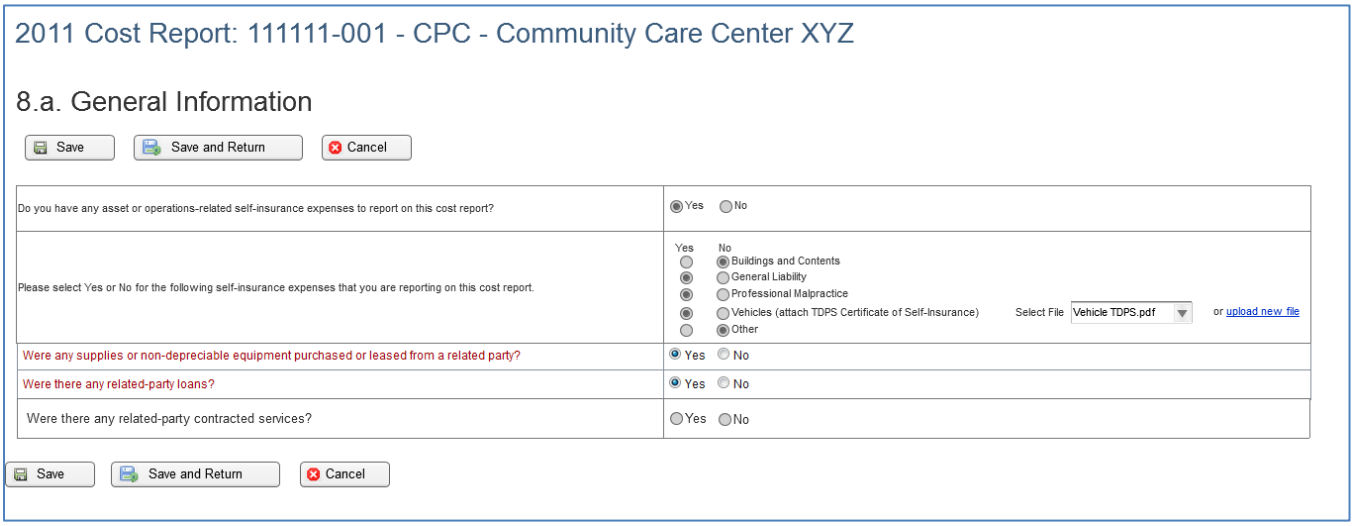
If the provider's commercially purchased insurance policy does not provide total coverage and has a deductible and/or coinsurance clause, any deductibles and/or coinsurance payments made by the employer on behalf of the employee would be considered claims paid (i.e., self-insurance) and must be reported in the ***Workers' Compensation Paid Claims*** item below.

Workers' Compensation Paid Claims:
If the provider was not a subscriber to the Workers' Compensation Act (i.e., traditional workers' compensation insurance policy), and paid workers' compensation claims for employee on-the-job injuries, report the amount of claims paid. Also report the part of any workers' compensation litigation award or settlement that reimburses the injured employee for lost wages and medical bills here unless the provider is ordered to pay the award or settlement as back wages subject to payroll taxes and reporting on a W-2, in which case the cost should be reported in ***Step 6 (WAGES AND COMPENSATION)***. Note that only the part of the litigation award or settlement that reimburses the injured employee for lost wages and medical bills is allowable on this cost report. If the provider maintained a separate bank account for the sole purpose of paying workers' compensation claims for employee on-the-job injuries (i.e., a nonsubscriber risk reserve account), the contributions made to this account are not allowable on the cost report. This type of arrangement requires that the contracted provider be responsible for payment of all its workers' compensation claims and is not an insurance-type account or arrangement. A nonsubscriber risk reserve account is not required to be managed by an independent agency or third party. It can be a separate checking account set aside by the contracted provider for payment of its workers' compensation claims. However, only the amount for any claims paid should be reported on the cost report, not the amount contributed to any (reserve) account. There is a cost ceiling to be applied to allowable self-insurance workers' compensation costs or costs where the

provider does not provide total coverage and that ceiling may limit the costs, which may be reported. See 1 TAC §355.103(b)(10)(B) and §355.105(b)(2)(B)(ix) and ***APPENDIX.E: Self-Insurance.***

Step 8 FACILITY AND OPERATIONS COSTS

Step 8a General Information



Do you have any asset or operations-related self-insurance expenses to report on this Cost Report? If "Yes", please select "Yes" or "No" for all of the following self insurance expenses.
Click either "Yes" or "No" for each expense type. Those self insuring for vehicle expenses must upload a copy of the Texas Department of Public Safety (TDPS) Certificate of Self-Insurance. See ***APPENDIX E – Self-Insurance.***

Are all expenses associated with residential program room and board (including client-paid expenses) fully captured and included on this cost report?
Click either "Yes" or "No".

Were any supplies or non-depreciable equipment purchased or leased from a related party?
Click either "Yes" or "No". If "Yes", ***Step 8b*** (***Related-Party Non-depreciable Equipment and Supplies)*** will become available for entry of related-party transactions. Refer to **DEFINITIONS**, *RELATED PARTY* and *RELATED-PARTY TRANSACTIONS*.

Were there any related-party loans?
Click either "Yes" or "No". If "Yes", ***Step 8c (Related-Party Loans)*** will become available for entry of related-party loan transactions. Refer to **DEFINITIONS**, *RELATED PARTY* and *RELATED-PARTY TRANSACTIONS*.

Were there any related-party contracted services?
Click either "Yes" or "No". If "Yes", ***Step 8d (Related-Party Contracted Services)*** will become available for entry of related-party transactions with contractors. See the instructions below for a discussion of the types of contracted services to be reported here. Refer to **DEFINITIONS**, *RELATED PARTY* and *RELATED-PARTY TRANSACTIONS*.

Steps 8b-8d Related-Party Transactions

See 1 TAC §355.102(i) for specific details and requirements on related-party transactions. *If the responses to the final three questions in* ***Step 8a*** *above were all "No", then the* ***Steps 8b-8d*** *will be disabled and the preparer will not be able to make entries. If any of those questions was erroneously answered "No", the preparer will need to return to that item and change the response to "Yes" to be able to enter data in these three Steps.*

The lease or purchase of services (including lending/loan services), facilities, equipment and supplies from related organizations or related individuals by the provider or the provider's central office must be reported as a related-party transaction. Note that for depreciation expenses, related-party status is disclosed separately for each depreciable item when depreciation, amortization and other expenses for related-party and non-related-party assets are entered. In addition, purchases made from a related party by the central office for services, facilities, and supplies must also be reported as related party transactions. An exception is central office costs allocated to the provider that contain no markup (i.e., the cost allocated to the provider is the cost incurred by the central office); these do not have to be reported as related party transactions. This exception does not apply to related-party management costs; these costs must always be reported as central office costs.

Expenses in related-party transactions are allowable at the cost to the related organization; however, the cost must not exceed the price of comparable services, equipment, facilities, or supplies that could be purchased or leased elsewhere in an arm's-length transaction. The related organization's costs include all reasonable costs, direct and indirect, incurred in the furnishing of services, equipment, facilities, leases, and supplies to the provider. The intent is to treat the costs incurred by the supplier as if the contracted provider itself incurred them. Therefore, if a cost would be unallowable if incurred by the contracted provider, it would be similarly unallowable to the related organization.

See **DEFINITIONS**, *RELATED PARTY* and *RELATED-PARTY TRANSACTIONS*.

EXCEPTIONS TO THE RELATED-PARTY RULE

An exception (1 TAC §355.102(i)(5)) is provided to the general rule applicable to related organizations if the contracted provider demonstrates for each cost report that certain criteria have been met. If all of the conditions of this exception are met, the charges by the related-party supplier to the contracted provider for services, equipment, facilities, leases, or supplies are allowable costs and do not have to be reported as related-party transactions. Written requests for an exception to the general rule applicable to related organizations must be submitted for approval to HHSC's Rate Analysis Department no later than 45 days prior to the due date of the cost report in order to be considered for that year's cost report. The provider's request for an exception must demonstrate that all of the following criteria have been met:

1. The supplying organization is a bona fide separate organization. See §355.102(i)(5)(A).

2. A majority of the supplying organization's business activity of the type carried on with the contracted provider is transacted with other organizations not related to the contracted provider and the supplier by common ownership or control. See §355.102(i)(5)(B).

3. There is an open, competitive market for the type of services, equipment, facilities, leases, or supplies furnished by the related organization. See §355.102(i)(5)(B).

4. The services, equipment, facilities, or supplies are those which commonly are obtained by entities such as the contracted provider from other organizations and are not a basic element of contracted care ordinarily furnished directly to individuals by such entities. See §355.102(i)(5)(C).

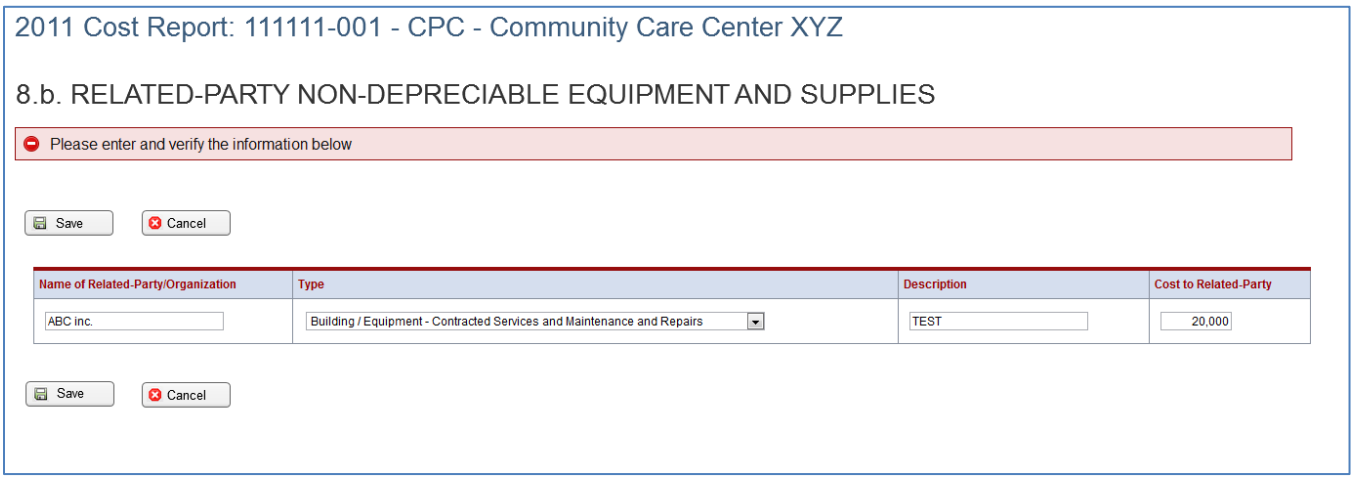
5. The charge to the contracted provider is comparable to open market prices and does not exceed the charge made to others by the organization for such services, equipment, facilities, leases or supplies. See §355.102(i)(5)(D).

If Medicare has made a determination that a related-party situation does not exist or has granted an exception to the related-party definition, and the provider desires that HHSC accept that determination, the cost report preparer must submit a copy of the applicable Medicare determination, along with evidence supporting the Medicare determination for the current cost-reporting period with each affected cost report. If the exception granted by Medicare is no longer applicable due to changes in circumstances of the contracted provider or because the circumstances do not apply to the contracted provider, HHSC can choose not to accept the Medicare determination. *See 1 TAC §355.102(i)(5).* If the request for a related-party exception is not received at least 45 days prior to the due date of the cost report, HHSC Rate Analysis is not required to process the request for that cost-reporting year.

Step 8b Related-Party Non-depreciable Equipment and Supplies

Included in this Step should be all purchases and leases from a related individual or organization of equipment and/or supplies with a value of less than $2,500 and/or a useful life of less than one year.

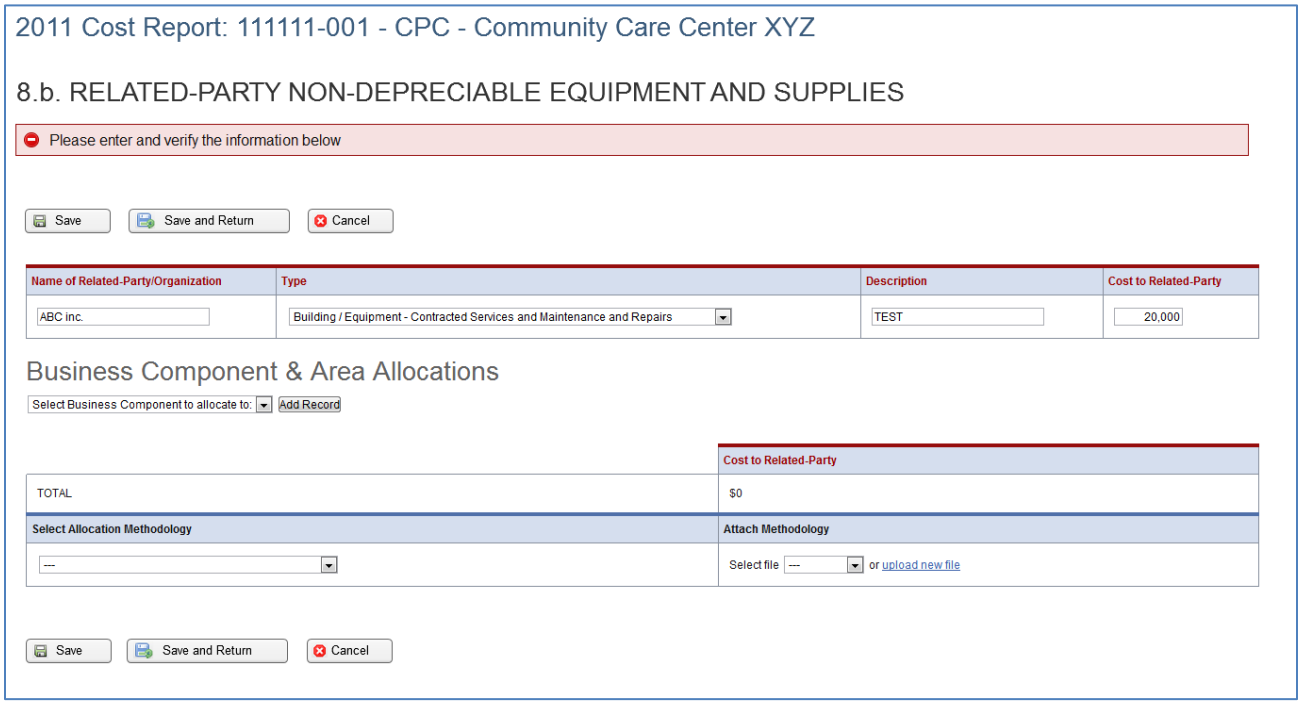
1. *Click "Add record"*



All columns must be completed for each related-party transaction.

A. Name of Related-Party/Organization – Enter the name of the related party or organization from whom the contracted provider purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
B. Type – must be chosen from the drop-down menu. This is the cost report line item on which the allowable expense will be reported.
C. Description – Describe the items/goods purchased or leased from the related party. Examples include purchased office supplies, purchased letterhead, leased or purchased copier or computer (below depreciable value), etc. The entry of related-party lending/loans, contracted services and depreciable purchases or leases will be discussed in other Steps below.
D. Cost to Related Party – This amount should be the actual cost to the related individual or organization, not to exceed the price of comparable nondepreciable equipment and/or supplies that could be purchased or leased elsewhere in an arm's-length transaction.

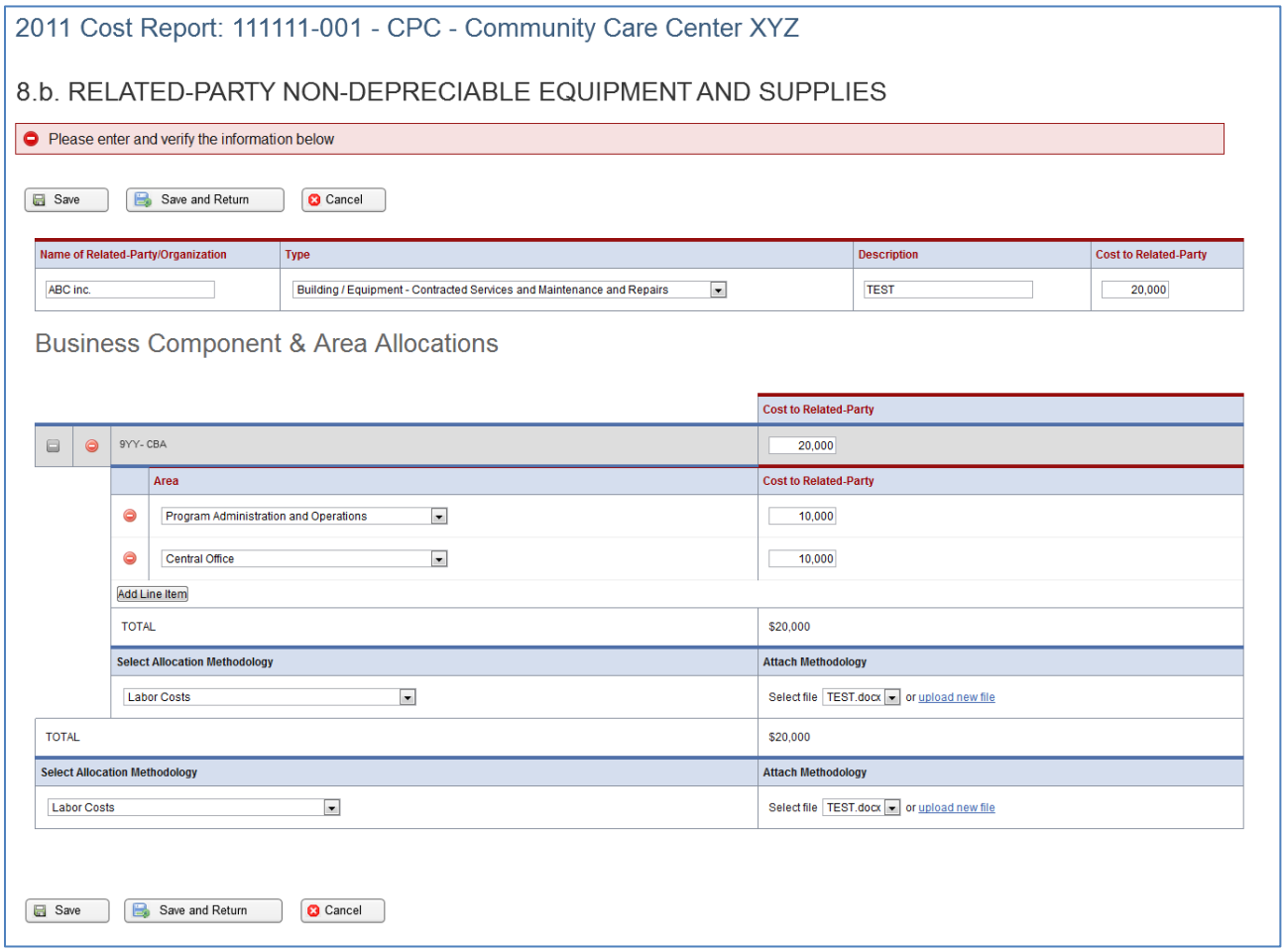
2. *Click "Save" to enter Business Component and Cost Area Allocation(s)*



The available business components are limited to the businesses and contracts entered in ***Step 3 (CONTRACT MANAGEMENT)***. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to ***Step 3b (CONTRACT MANAGEMENT, Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity)*** and enter the missing business component data. Allocate or direct cost all costs reported for the Related Party/Organization under Cost to the Related Party to a business component before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.

A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, drop-down menu does not appear and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this expense will be allocated have been added.

3. *Enter all Cost Area Information*



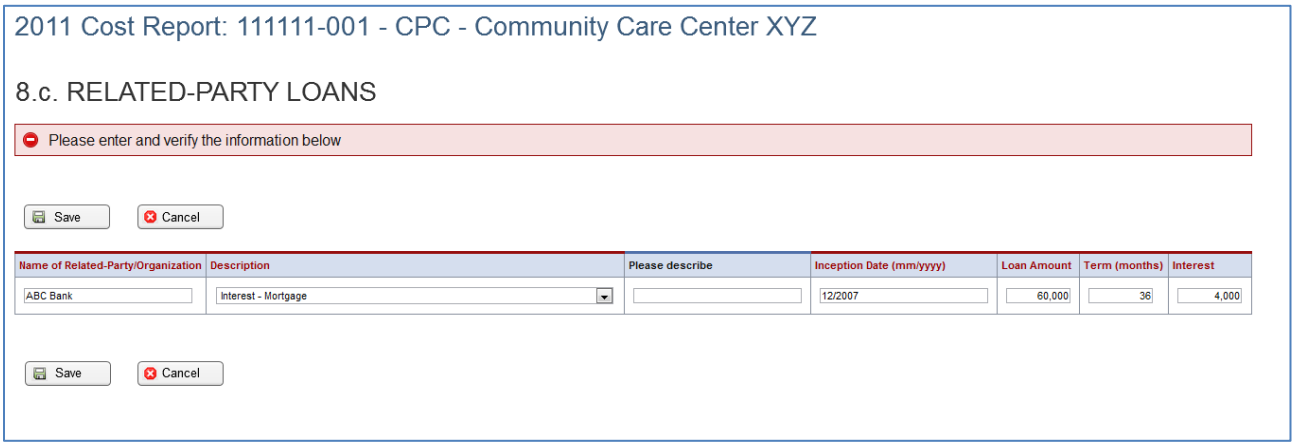
A. Cost to Related Party – On the grey bar, enter the cost allocated or direct costed to each business component.
B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See ***Step 8f*** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See **DEFINITIONS**, *CENTRAL OFFICE*.
C. Cost to Related Party – Enter the cost to the related party direct costed or allocated to this cost area within the business component.

D. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
E. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

Step 8c Related-Party Loans

Report in this Step any related-party loans from individuals or organizations. Actual interest properly accrued and paid on related-party loans is an allowable cost, but is limited to the interest that would have been charged during the reporting period had the interest rate on the loan been set at the prevailing national average prime interest rate in effect at the time at which the loan contract was finalized, as reported by the United States Department of Commerce, Bureau of Economic Analysis, in the Survey of Current Business. For those with Internet access, the quickest source of prime interest rate information is the Federal Reserve Bank of St. Louis Web Site (http://www.stlouisfed.org/) under Research and Data, FRED® (Federal Reserve Economic Data) Economic Data, Categories, Interest Rates, and Prime Bank Loan Rate. This data series extends back to 1949 and is updated monthly.

1. *Click "Add record"*



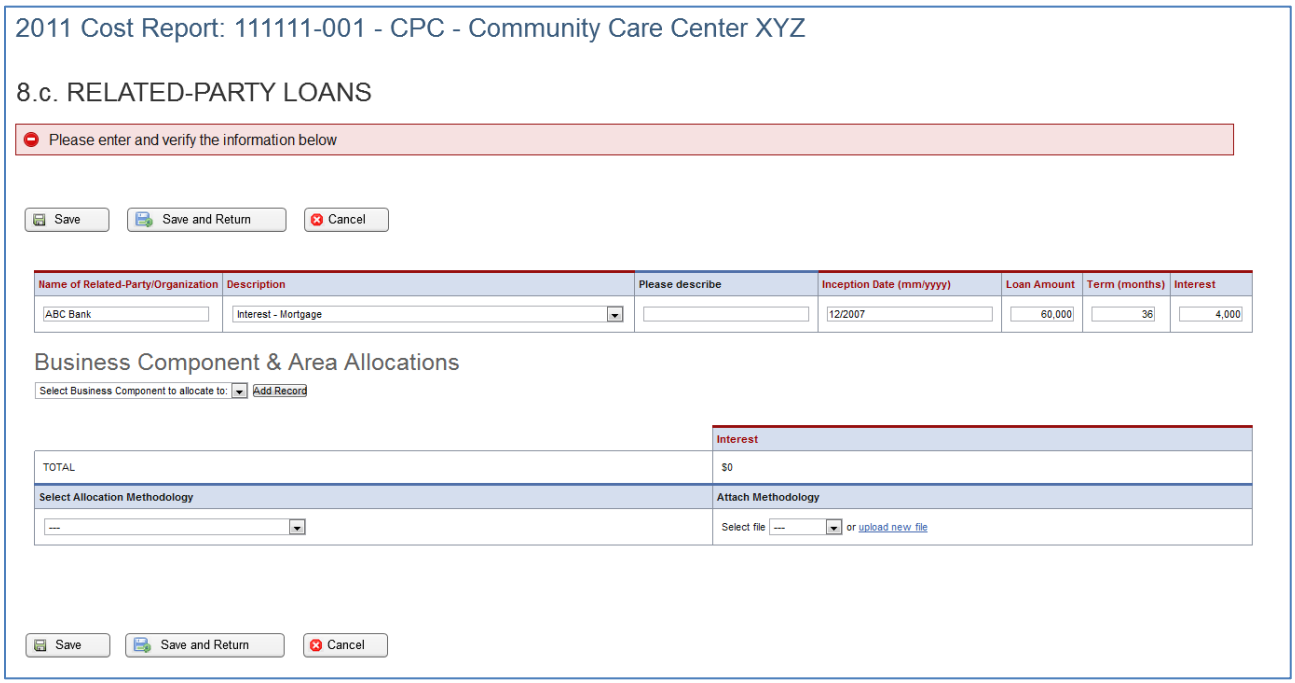
All columns must be completed for each related individual or organization.

A. Name of Related Party/Organization – Enter the name of the related party or organization from whom the contracted provider purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
B. Description – Must be chosen from the drop-down menu – either Mortgage Interest or Other. This is the line item on which the allowable cost will appear in the cost report.
C. Please describe – If Other was chosen for B above, describe the type of loan.
D. Inception Date – Month and year the loan was effective.
E. Loan Amount – This should be the total amount of the loan.
F. Term – Duration of the loan in months.

G. Interest – Allowable interest paid during the reporting period.

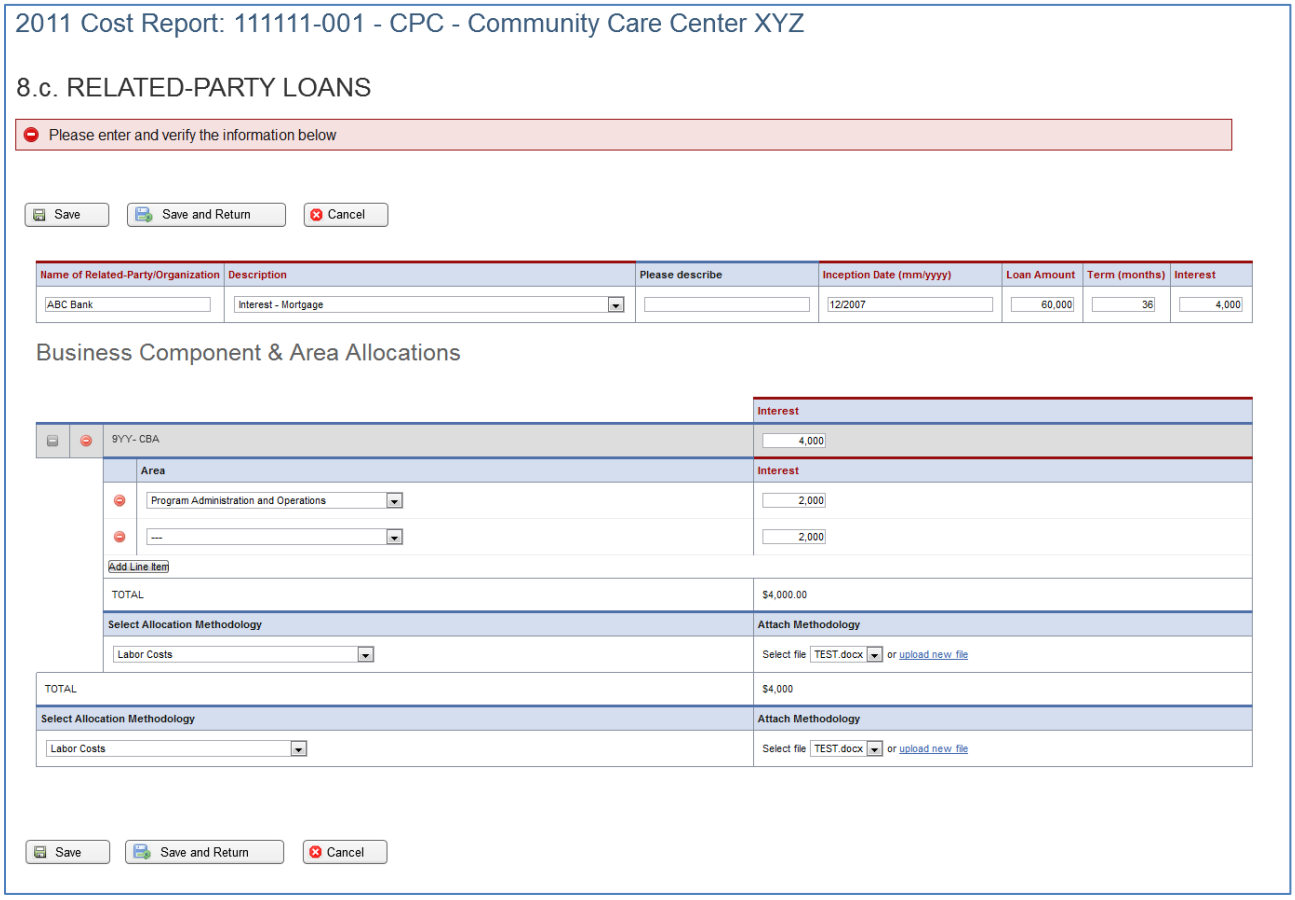
2. *Click "Save" to enter Business Component and Cost Area Allocation(s)*

The available business components are limited to the businesses and contracts entered in ***Step 3 (CONTRACT MANAGEMENT)***. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to ***Step 3b (CONTRACT MANAGEMENT, Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity)*** and enter the missing business component data. Allocate or direct cost all costs reported for the Related Party/Organization under Cost to the Related Party to a business component before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.



A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, drop-down menu does not appear and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this interest expense will be allocated have been added.

3. *Enter all Cost Area Information*

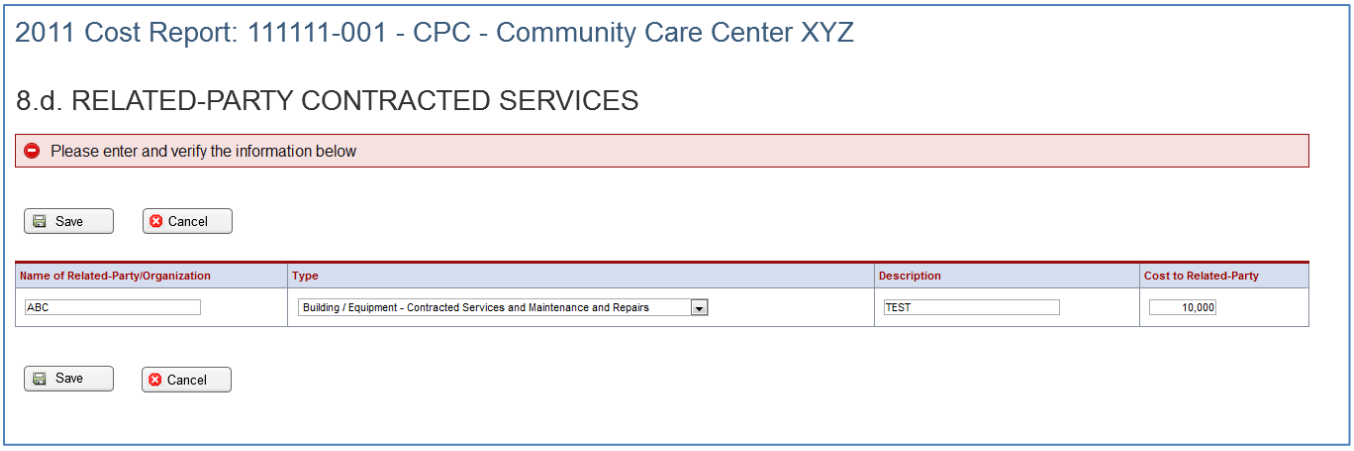


A. Interest – On the grey bar, enter the allowable interest expense allocated or direct costed to each business component.
B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See ***Step 8f*** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See **DEFINITIONS**, *CENTRAL OFFICE*.
C. Interest – Enter the allowable interest expense direct costed or allocated to this cost area within the business component.
D. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
E. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

Step 8d Related-Party Contracted Services

Report in this Step the purchase of services, such as accounting, legal and consulting services, from a related-party organization or an individual who is NOT an employee of the contracted provider. If the related individual IS AN EMPLOYEE of the contracted provider, a controlling entity, or other related entity, do not complete this Step, but rather complete ***Step 6b (WAGES AND COMPENSATION, RELATED PARTY)***. If reporting a related individual who is providing, as contract labor, activities which are typically performed by employee staff (e.g. Attendant and Nonattendant staff services, Program Administration staff services, etc.), complete the ***Step 6b***.

1. *Click "Add record"*

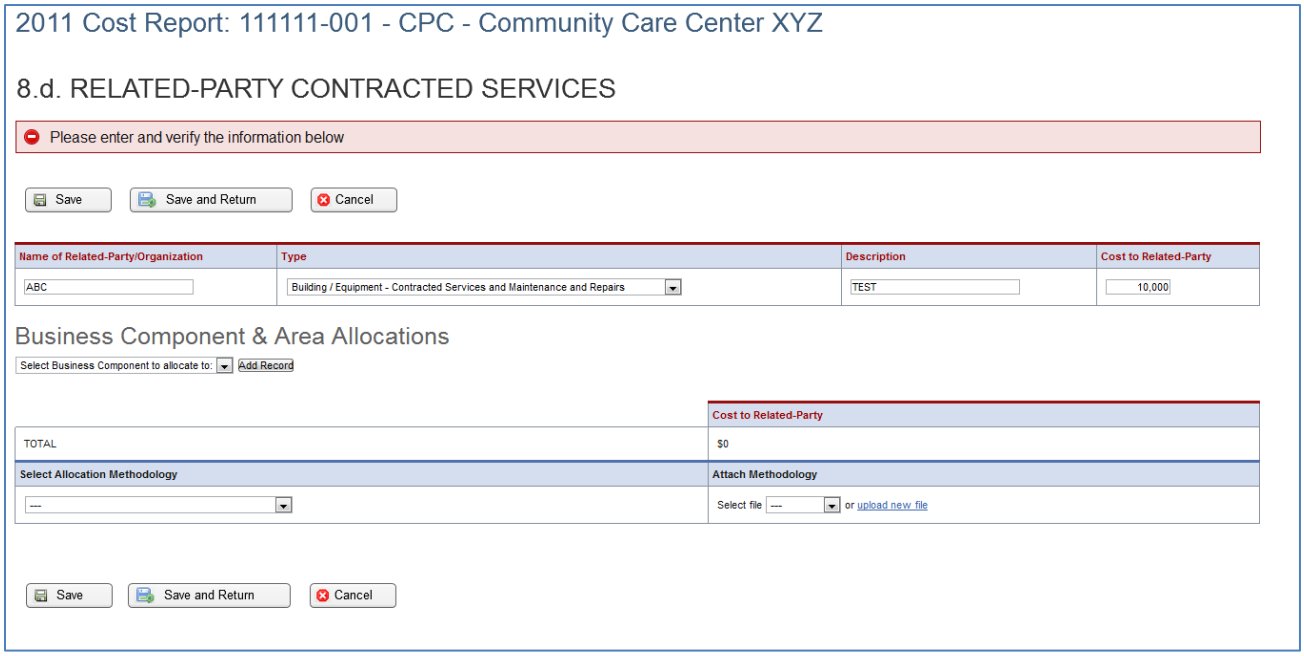


All columns must be completed for each related individual or organization.

A. Name of Related Party/Organization – Enter the name of the related party or organization from whom the contracted provider purchased services as described above. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
B. Type – must be chosen from the drop-down menu. This is the line item on which the allowable cost will appear in the cost report.
C. Description – Describe the services purchased from the related-party organization or individual. Examples may include data processing services, legal services, accounting services, management consulting services, medical director, accountant, building maintenance, and lawn maintenance.
D. Cost to Related Party – This amount should be the actual cost to the related individual or organization providing the services, not to exceed the price of comparable services that could be purchased elsewhere in an arm's-length transaction.

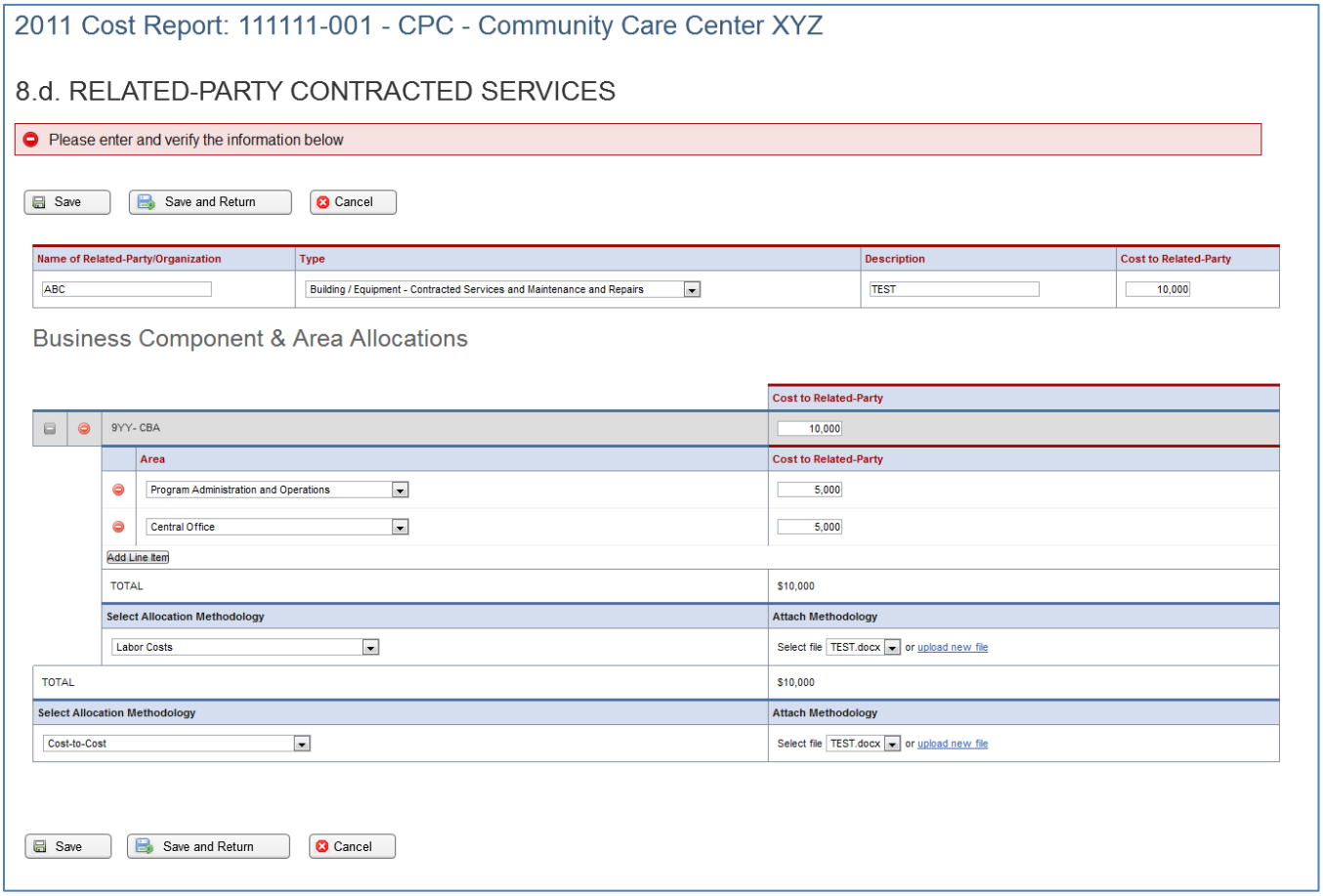
2. *Click "Save" to enter Business Component and Cost Area Allocation(s)*

The available business components are limited to the businesses and contracts entered in ***Step 3 (CONTRACT MANAGEMENT)***. If a business component that should receive a portion of the allocated cost of the service(s) is not on the list, then the preparer should return to ***Step 3b (CONTRACT MANAGEMENT, Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity)*** and enter the missing business component data. Allocate or direct cost all costs reported for the Related Party/Organization under Cost to the Related Party to a business component before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.



A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, drop-down menu does not appear and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this expense will be allocated have been added.

3. *Enter all Cost Area Information*



A. Cost to Related Party – On the grey bar, enter the cost allocated or direct costed to each business component.
B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See ***Step 8f*** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See **DEFINITIONS**, *CENTRAL OFFICE*.
C. Cost to Related Party – Enter the cost to the related party direct costed or allocated to this cost area within the business component.
D. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
E. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

Step 8e Depreciation Expense (Depreciation and Amortization) and Related-Party Purchase or Lease of Depreciable Assets

Depreciable asset information automatically populates from year to year after the initial entry. After the first year, providers will only need to adjust allocations of shared assets to correctly report current year allocation percentages and add new assets. A provider with numerous assets may want to import their basic asset information. This information may be imported into STAIRS. See ***APPENDIX F – Importing Data Into STAIRS.***

For cost-reporting purposes, property and assets owned by the contracted provider and improvements to the provider's owned, leased, or rented property that are valued at $2,500 or more with an estimated useful life of more than one year at the time of purchase must be depreciated. Any single item costing less than $2,500 should be expensed and reported as supplies in the applicable cost area. For example, a non-depreciable calculator and a non-depreciable book shelf would be reported as Operations Supplies.

Depreciation for depreciable items must be calculated using the appropriate Steps of the cost report.

For depreciable assets leased from a related party, all costs to be entered are the cost to the related party, not payments by the contracted provider to the related party. For depreciable assets purchased from a related party, the cost entered must be the cost to the related party and not the amount actually paid by the contracted provider for the asset purchased.

NOTES

Allowable depreciation expense includes <u>only pure straight-line depreciation</u>. No accelerated or additional first-year depreciation is allowable.

Include only assets of the contracted provider or its central office that are used directly or indirectly in the provision of resident care during the cost-reporting period. For shared central office depreciation, show the percentage allocated to the contracted provider for which the cost report is being prepared and cross-reference to the applicable allocation summary. For shared facility-level depreciation (e.g., depreciation of assets whose usage is shared between the contracted provider and another entity), show the amount allocated to the contracted provider by cost area and cross-reference the applicable allocation summary.

Required detail must be provided for each depreciable asset and each depreciable asset will be assigned a correct estimated useful life as required by 1 TAC §355.103(b)(7)(A-C).

1. *Click "Add Record"*

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8.e. DEPRECIATION EXPENSE AND RELATED-PARTY LEASE/PURCHASE OF DEPRECIABLE ASSETS

Please enter and verify the information below

Save Cancel

Is this a shared asset?	Yes No
Related-Party or Non-Related-Party	Non-Related Party Related Party
Asset	Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization
Code (optional)	
Description of Asset	Building Additions
Asset in Service at end of period?	Yes No
Month/Year Placed in Service (mm/yyyy)	12/2007
Years of Useful Life	30
Historical Costs	60,000
Salvage Value	
Depreciation Basis	$60,000
Prior Period Accumulated Depreciation	$4,333
Depreciation for Reporting Period	$833
Total Expense for Reporting Period	$833

Save Cancel

A. Is this a shared asset? – Click "Yes" or "No". If "Yes", the preparer will be asked to allocate the asset between business components and cost areas after saving. If "No", the system will automatically assign the asset to the current cost report.

B. Related-Party or Non-Related Party – Click "Related Party" if the asset was purchased or leased from a related party or "Non-Related Party" if the asset was purchased from a nonrelated party.

NOTE - Only Related-Party leases are reported through the Depreciation screens. Nonrelated-party leases are reported in ***Step 8f***.

C. Asset – This is the line item on which the allowable cost will appear in the cost report. If it is a related-party lease, then a drop-down menu with additional expense types will be available for entry of related-party cost. The various types of assets include:

a) Depreciation: Buildings and Building Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization

i. ***Buildings and Building Improvements:*** structures (and depreciable improvements to those structures) consisting of building shell or frame, building components, exterior walls, interior framing, walls, floors, and ceilings. The building cost can also include a proportionate share of architectural, consulting, and interest expense (incurred during the construction of the building, not mortgage interest) associated with a newly constructed or renovated building (including major additions). Buildings do not include central air conditioning systems and trade fixtures, unless they were part of the building when purchased/renovated. Building improvements that are structural in nature (renovations) should be depreciated as if they were a building. Such improvements should be assigned a life of at least 30 years and a salvage value of at least 10%. When a portion of a building is renovated and all parts of the renovation are placed in service at or about the same time, the renovation should be depreciated as a single depreciable asset over 30 years and not over the estimated life of each of its

components. Building improvements that are not structural in nature and do not extend the depreciable life of the building, but whose estimated useful lives are longer than the remaining depreciable life of the building, must be depreciated over the normal useful life of the building improvements. Providers who rent or lease their building must report any building improvement depreciation as leasehold improvement depreciation.

ii. ***Building Fixed Equipment:*** any equipment which is attached to the building and is intended to be permanent, such as central air conditioning systems and trade fixtures. Providers who rent or lease the facility must report any building fixed equipment depreciation as leasehold improvements depreciation.

iii. ***Leasehold Improvements:*** improvements a lessee makes to a leased building. These improvements are attached to the building or land in a permanent way. They become the property of the lessor when the lease is terminated. Examples of leasehold improvements are permanent trade fixtures, additions, and betterments. All building equipment and land improvements purchased by a lessee, that are valued at $2,500 or more at the time of purchase with an estimated useful life of more than one year must be classified as a leasehold improvement and amortized. Leasehold improvements whose estimated lives are longer than the lease term must be amortized over the life of the leasehold improvement.

iv. ***Land Improvements:*** assets found on the land area contiguous to, and designed for serving, the contracted provider such as fences, sidewalks, driveways, parking lots, etc. The asset can include a proportionate share of the architectural, consulting, and interest expense associated with newly constructed or renovated buildings. Providers who rent or lease the facility must report land improvement depreciation as leasehold improvement depreciation.

v. ***Research and Development (R&D), Organizational and Start-up:*** must be amortized over a period of at least sixty months. R&D costs include those costs related to determining the business feasibility of obtaining a contract and can include costs such as demographic research and consulting fees. Organizational costs may include costs such as legal fees, state incorporation fees, stock certificate costs, underwriting costs, and office expenses incident to organizing the company. Start-up costs include those costs related to employee training, licensing, utilities, facility cleaning, and other preparations that are incurred before the first individual (whether Medicaid or non-Medicaid) is admitted to the program. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation as described in the Cost Determination Process Rules. Any costs that are properly identifiable as capitalizable construction costs must be appropriately classified as such and excluded from startup costs. *Costs related to care for individuals that are incurred after the first individual is admitted, but before the provider is Medicaid-certified, are unallowable costs.*

b) ***Depreciation: Departmental Equipment:*** any equipment capable of being moved from one site to another, such as all types of furniture, appliances, office machines, and any other items of equipment which are necessary operating assets.

c) ***Depreciation: Transportation Equipment:*** equipment used by the provider in the provision of contracted care. Depreciation expenses for transportation equipment not generally suited or not commonly used to transport individuals in care, staff, or provider supplies are unallowable costs. This includes motor homes and recreational vehicles, sports automobiles, motorcycles, heavy trucks, tractors and equipment used in farming, ranching and construction. Lawn tractors are to be reported as departmental equipment.

d) ***(for related party only) Rent/Lease - Building and Building Equipment:*** includes the assets in a) i. through iv. above that are rented or leased from a related party. Additional expense types for possible building-related costs to the related-party are optional entries.

i. Mortgage Interest – Mortgage interest for the property leased to the contracted provider that was properly accrued and paid by the related party.

ii. Interest-Other – Other interest expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

iii. Property Tax – Property tax payments for the property leased to the contracted provider that were properly accrued and paid by the related party.

iv. Insurance Expense – Insurance expenses for the property leased to the contracted provider that were properly accrued and paid by the related party.

v. Other Expense – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

e) ***(for related party only) Rent/Lease – Departmental Equipment:*** includes the assets in b) above. Additional expense types for possible departmental equipment-related costs to the related-party are optional entries.

i. Interest-Other – Other interest expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

ii. Other Expense – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

f) ***(for related party only) Rent/Lease – Transportation Equipment:*** includes the assets in c) above. Additional expense types for possible departmental equipment-related costs to the related-party are optional entries.

i. Transportation-Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other – Enter here only the Interest, Insurance and/or Repair and Maintenance expenses directly related to the transportation equipment leased to the contracted provider that were properly accrued and paid by the related party.

ii. Other Expense – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

D. Code (optional) – For internal provider use.

E. Description of Asset – This will be chosen from a drop-down menu populated from the AHA Guide discussed in Years of Useful Life below. If the preparer does not find the type of asset and cannot determine a close match, contact the Rate Analyst to determine if a new asset type should be added.

NOTE: If Building is selected, a drop-down menu will request an address. If the building is being leased (related parties only), a lease agreement must be uploaded.

F. Asset in Service at end of Period? – Click “Yes” or “No” to note whether this item was in service at the end of the cost reporting period. If “Yes”, enter the Month / Year placed in service. If “No”, enter the Month / Year placed in service and the Month / Year removed from service.

G. Years of Useful Life – The time period over which the asset must be depreciated. STAIRS populates this based on the Description entered in E. above for all assets except Used Vehicles. Also see ***APPENDIX D - A List of Some Useful Lives for Depreciation***

Minimum useful lives must be consistent with "Estimated Useful Lives of Depreciable Hospital Assets", published by the American Hospital Association (AHA) (2008 Version Item Number - Item No. 061179 ISBN: 978-1-55648-358-5).

Copies of this publication may be obtained by contacting:

Mail: AHA Services, Inc.; P.O. Box 933283; Atlanta, GA 31193-3283
Toll Free: 800-242-2626 Fax: 866-516-5817
Website: www.healthforumonlinestore.com

For Used Vehicles, determine the required useful life and enter that. Per 1 TAC 355.103(b)(7)(C)(ii), "The estimated life of a previously owned (used) vehicle is the longer of the number of years remaining in the vehicle's depreciable life or three years. For example, if a 2011 van were purchased in 2012, it would have four years remaining in its five-year depreciable life and that would become the depreciable life for the used vehicle. If a 2011 minivan were purchased in 2012, it would have two years remaining in its three-year depreciable life and the depreciable life for the used vehicle would then be three years."

H. Historical Cost – The cost of acquiring the asset and preparing it for use. Does not include goodwill or, for buildings, the cost of the land (land is not a depreciable item).
I. Salvage Value – This amount will be calculated automatically. Salvage value is the estimated residual value of the asset for scrap or salvage after its useful life has ended. All buildings must have a minimum salvage value of at least 10% of historical cost for Medicaid cost-reporting purposes. No other salvage values are required.
J. Depreciation Basis – Calculated figure equal to H minus I.
K. Prior Period Accumulated Depreciation – Calculated figure. Based on date placed in service and calculation of depreciation on the Depreciation Basis from that date to the beginning date of the cost reporting period.
L. Depreciation for Reporting Period – Calculated figure. Based on the date placed in service, the beginning date of the cost reporting period, any date entered as Month/Year removed from service) and the remaining useful life.
M. Total Expense for Reporting Period – Calculated figure. For Related-party leases, this will include costs from C. ***d) – f)*** above, as well as the depreciation on the asset.

2. Click "Save" to enter Business Component and Cost Area Allocation(s)

Business Component – The available business components are limited to the businesses and contracts entered in ***Step 3 (CONTRACT MANAGEMENT***. If a business component that should receive a percentage of the asset or related-party leased items is not on the list, then the preparer should return to ***Step 3b (CONTRACT MANAGEMENT, Enter Other Contracts, Grants or Business Relationships with the State of Texas or with any other Entity)*** and enter the missing business component data. Allocate or direct cost 100% of the asset costs a business component before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.

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8.e. DEPRECIATION EXPENSE AND RELATED-PARTY LEASE/PURCHASE OF DEPRECIABLE ASSETS

Please enter and verify the information below

Save | Save and Return | Cancel

Is this a shared asset?	Yes No
Related-Party or Non-Related-Party	Non-Related Party Related Party
Asset	Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization
Code (optional)	
Description of Asset	Building Additions
Asset in Service at end of period?	Yes No
Month/Year Placed in Service (mm/yyyy)	12/2007
Years of Useful Life	30
Historical Costs	60,000
Salvage Value	
Depreciation Basis	$60,000
Prior Period Accumulated Depreciation	$4,333
Depreciation for Reporting Period	$833
Total Expense for Reporting Period	$833

Business Component & Area Allocations

Select Business Component to allocate to: Add Record

	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
9YY- CBA	Yes	12/2007		100	$833
TOTAL				100.00%	

Select Allocation Methodology	Attach Methodology
---	Select file --- or upload new file

Save | Save and Return | Cancel

A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, the drop-down menu does not appear and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this expense will be allocated have been added.
C. Information in the Business Component Grey Bar –
   a) ***Asset in Service at End of Period? –*** The response for the business component will default to "Yes" if the Asset information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single business component, but not for all. The allocation of an asset may also change throughout a year. This question allows for flexibility in how asset allocation may change throughout a year.
   b) ***Month/Year Placed in Service –*** Enter the month and year the asset was initially placed in service for depreciation purposes for this specific business component.
   c) ***Month/Year Removed from Service –*** If the asset was removed from service for this business component during the current year, then enter the month and year that the asset was removed from service.
   d) ***Allocation % –*** The percentage of the costs to be allocated to this specific business component.

e) Expense for Reporting Period – Calculated figure based on the percentage(s) entered.

3. *Enter all Cost Area Information*

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8.e. DEPRECIATION EXPENSE AND RELATED-PARTY LEASE/PURCHASE OF DEPRECIABLE ASSETS

Please enter and verify the information below

Save | Save and Return | Cancel

Is this a shared asset?	Yes No
Related-Party or Non-Related-Party	Non-Related Party Related Party
Asset	Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization
Code (optional)	
Description of Asset	Building Additions
Asset in Service at end of period?	Yes No
Month/Year Placed in Service (mm/yyyy)	12/2007
Years of Useful Life	30
Historical Costs	60,000
Salvage Value	
Depreciation Basis	$60,000
Prior Period Accumulated Depreciation	$4,333
Depreciation for Reporting Period	$833
Total Expense for Reporting Period	$833

Business Component & Area Allocations

	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
9YY- CLASS	Yes	12/2007		50	$916.50
Area	**Asset in Service at end of period?**	**Month/Year Placed in Service (mm/yyyy)**	**Month/Year Removed from Service (mm/yyyy)**	**Allocation %**	**Expense for Reporting Period**
Central Office	Yes	12/2007		20	$183.30
Program Administration and Operations	Yes	12/2007		20	$183.30
Add Line Item					
TOTAL				40.00%	
Select Allocation Methodology			**Attach Methodology**		
Labor Costs			Select file TEST.docx or upload new file		

	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
9YY- CBA	Yes	12/2007		50	$916.50
Area	**Asset in Service at end of period?**	**Month/Year Placed in Service (mm/yyyy)**	**Month/Year Removed from Service (mm/yyyy)**	**Allocation %**	**Expense for Reporting Period**
Central Office	Yes	12/2007		20	$183.30
Program Administration and Operations	Yes	12/2007		20	$183.30
Add Line Item					
TOTAL				40.00%	
Select Allocation Methodology			**Attach Methodology**		
Labor Costs			Select file TEST.docx or upload new file		

TOTAL				50.00%	
Select Allocation Methodology	**Attach Methodology**				
Labor Costs	Select file TEST.docx or upload new file				

Save | Save and Return | Cancel

A. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See ***Step 8f*** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central

office which can be directly charged to the contracted provider should be reported as Program Administration. See **DEFINITIONS**, *CENTRAL OFFICE*.

B. Asset in Service at End of Period? – The response for the cost area will default to "Yes" if the business component information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single cost area, but not for all. The allocation of an asset may also change throughout a year. This question allows for flexibility in how asset allocation may change throughout a year.
C. Month/Year Placed in Service – Enter the month and year the asset was initially placed in service for depreciation purposes for this specific cost area.
D. Month/Year Removed from Service – If the asset was removed from service for this cost area during the current year, then enter the month and year that the asset was removed from service.
   - The two lines above (C and D) also allow for changes in allocation percentages throughout the year. By entering an end date at the point where the allocation changes and adding an additional record with a new 'placed in service date' for the new allocation period, the usage changes will be taken into account in the calculation of the depreciation below.
E. Allocation % – The percentage of the costs to be allocated to this specific cost area.
F. Expense for Reporting Period – Calculated figure based on the percentage(s) entered.
G. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
H. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

Step 8f Non-Related Party Facility, Operations, Administrative and Other Direct Care Costs

This screen consists of a column for the Line Item Names, three columns for Nonrelated-Party Cost Areas and three columns for Related-Party Cost Areas, a column to total all expenses in each line item and a column for notes. The three columns each for Nonrelated- and Related-Party Cost Areas correlate to the Program Administration & Operations and Central Office, plus a Total. Facility and Operations costs should be reported if the Provider has a Program Administration office. Even if building/facility costs are paid by/through a central office, the portion of the building/facility and operations costs directly related to the contracted provider should be reported in the specific cost area as appropriate. The Program Administration & Operations columns are intended for the reporting of facility and operations costs that directly support the contracts include in the Cost Report Group for which the cost report is being prepared. The Central Office column is intended to capture the allocated portion of shared (i.e., central office) administrative costs. It is important to report all costs in the correct cost area.

The first column of this screen comprises all the Facility, Operations and Administration non-staff line items. Each of these line items will be discussed in detail below. Some of the items may be reportable only in certain cost areas. Where this is the case, the cost report will not allow entry in the cost area(s) where that type of expense may not be reported.

Cost Areas
Program Administration & Operations

- The Program Administration & Operations cost area is intended to capture administrative expenses associated with direct program management of the contracted provider itself. These are considered program administrative expenses and should be directly chargeable to the contracted provider. There should be no allocated costs reported in the program administration cost area, with the exception of an administrator allocated from the central office.

Central Office

- The Central Office cost area is intended to capture the allocated portion of shared (i.e., central office) administrative costs. For example, if documentation supports allowable legal fees directly related to the management of the contracts included in the Cost Report Group, those legal fees should be reported in the Program Administration & Operations cost area. However, if the allowable legal fees were related to the corporation or related organization as a whole (e.g., general employee policies and procedures), the allocated portion would be reported in the Central Office cost area. If an outside accountant prepared the cost report for the contracted provider, the cost should be directly charged to the Program Administration & Operations cost area. If an outside accountant prepares financial statements for the parent company or sole member, the allocated portion of those costs applicable to the contracts include in the Cost Report Group must be reported in the Central Office cost area.
- Allowable central office costs include those costs necessary for the provision of care for contracted services in Texas and an appropriate share of allowable indirect costs. Costs that are unallowable to the contracted provider are also unallowable as central office costs. Central office costs must be reported at the actual cost to the central office with no markup.
- The Central Office cost area of the cost report is self-contained; meaning that all allocated costs associated with the central office are reported in that cost area and should not be reported anywhere else on the cost report.
- For details on allocating shared costs, see ***APPENDIX B – Allocation Methodologies***.

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8.f. Non-Related-Party Facility, Operations, Administrative and Other Direct Care Costs

Save | Save and Return | Cancel

	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Rent / Lease - Building and Building Equipment			$0			$0	$0	
Rent / Lease - Departmental Equipment / Other			$0			$0	$0	
Interest - Mortgage			$0			$0	$0	
Insurance - Building and Equipment			$0			$0	$0	
Taxes - Ad Valorem Real Estate			$0			$0	$0	
Utilities & Telecommunications			$0			$0	$0	
Building / Equipment - Contracted Services and Maintenance and Repairs			$0			$0	$0	
	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization			$0			$0	$0	
Depreciation - Departmental Equipment			$0			$0	$0	
Operations Supplies			$0	$0		$0	$0	
Depreciation - Transportation Equipment			$0			$0	$0	
Rent / Lease - Transportation Equipment or Contracted Transportation Services			$0			$0	$0	
Transportation - Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other			$0			$0	$0	
Staff Training / Seminars			$0			$0	$0	
	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Insurance - Liability			$0			$0	$0	
Travel (not to include mileage reimbursement)			$0			$0	$0	
Fees - Management Contract			$0			$0	$0	
Fees - Contracted Administrative, Professional, Consulting and Training Services			$0			$0	$0	
Licenses and Permits			$0			$0	$0	
Interest - Other			$0			$0	$0	
Taxes - Texas Corporate Franchise Tax			$0			$0	$0	
	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Taxes - Other (describe)			$0			$0	$0	
Advertising			$0			$0	$0	
Dues and Memberships			$0			$0	$0	
Other (describe)			$0			$0	$0	
TOTAL	$0	$0	$0	$0	$0	$0	$0	

Save | Save and Return | Cancel

Line items will accept entry into various nonrelated-party cost areas depending on the line item type. Depreciation expense does not accept direct entry because all depreciation is entered in ***Step 8e***. Certain line items are considered indirect costs only and can only be entered in the Program Administration or Central Office cost areas. All related-party facility and operations expense transactions must be entered in the appropriate Step of STAIRS and will be transferred onto this screen.

1. Rent/Lease – Building and Building Equipment
   A. Report building and building equipment lease/rental costs in this item.
   B. If the rental/lease of a building is from a related party, do not enter directly here. The lease and related costs must be entered in ***Step 8e***. The calculated cost to the related party will be transferred here.
   C. If the rental/lease of building equipment is from a related party, do not enter directly here. The lease must be entered in ***Step 8b*** if the building equipment is non-depreciable (items costing less than $2,500 or with a useful life of less than one year) or ***Step 8e*** if the building equipment is depreciable (items with a cost of $2,500 or more and a useful life of more than one year).
   D. Lease deposit payments are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded and used for allowable costs is allowable for cost-reporting purposes at that time. Lease deposits made for remodeling and purchase of replacement items/fixtures are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded and used for allowable remodeling and purchase of replacement items/fixtures is allowable for reporting as repairs/maintenance or depreciation, whichever appropriate.
   E. Lease payments made for goodwill (see **DEFINITIONS**, *GOODWILL*) are not allowable costs.
2. Rent/Lease – Departmental Equipment/Other – Report the lease/rental costs of departmental equipment. Departmental equipment would include items such as telephone systems, pagers, facsimile (FAX) machines, photocopiers, and computers.
   A. If the rental/lease is from a related party, do not enter directly here. The lease and related costs must be entered either in ***Step 8b*** if the departmental equipment is non-depreciable (items costing less than $2,500 or with a useful life of less than one year) or ***Step 8e*** if the departmental equipment is depreciable (items with a cost of $2,500 or more and a useful life of more than one year).
3. Interest – Mortgage – See 1 TAC §355.103(b)(8). Reasonable and necessary interest on current and capital indebtedness is an allowable cost.
   A. Report the interest expense accrued during the reporting period from the purchase of a facility (i.e., mortgage interest) in this item. If the provider is a nonprofit entity and issued bonds for the purchase of the facility, report the bond issuance costs in this item.
   B. If a related party funded the loan, do not enter directly here. Enter through ***Step 8c.***
   C. Late payment fees and penalties are unallowable costs.
   D. Interest on vehicle loans should be reported in Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other below.
   E. Interest on working capital loans, departmental equipment loans, loans for the purchase of building improvements, building renovations, and building equipment and other operational notes should be reported in Interest – Other below.
4. Insurance – Building and Equipment
   A. Costs for insurance premiums for buildings, contents, and grounds must be reported with amounts accrued for premiums, modifiers, and surcharges and net of any refunds and discounts actually received or settlements paid during the same cost-reporting period (i.e., the premiums are accrued and related expenses are reported on a cash basis).
   B. Self insurance is a means whereby a contracted provider undertakes the risk to protect itself against anticipated liabilities by providing funds in an amount equivalent to liquidate those liabilities. Self-insurance can also be described as being uninsured. See 1 TAC

§355.103(b)(10)(B) for additional requirements. Contributions to self-insurance funds or reserves that do not represent payments based on current liabilities are unallowable costs. The amount of allowable insurance costs may also be subject to a cost ceiling. See also 1 TAC §355.103(b)(10)(E) and ***APPENDIX E – Self-Insurance*** .

5. Taxes – Ad Valorem Real Estate – See 1 TAC §355.103(b)(9). Report in this item the cost of ad valorem real estate taxes related to Program Administration and/or Central Office buildings. Tax expenses must be reported on an accrual basis for the cost-reporting period only. If a tax statement covers any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only the cost-reporting period.
   A. Texas corporate franchise taxes are reported in Taxes – Texas Corporate Franchise Tax below.
   B. Personal property taxes and other operational taxes are reported in Taxes – Other below.
6. Utilities & Telecommunications -
   A. Biohazard Waste
   B. Electricity, Gas, Water, Wastewater, Garbage. See 1 TAC §355.103(b)(5). For utility costs to be allowable on the CPC Cost Report, the utilities must be used directly or indirectly in the provision of contracted services. Report the costs associated with buildings in the appropriate area.
   C. Telecommunications utility costs associated with the contracts include in the Cost Report Group are reported here. Telecommunications refers to the cost for telephone, pager, and facsimile service only and not the cost of purchasing, leasing, or maintaining the associated equipment.
7. Building/Equipment – Contracted Services and Maintenance and Repairs
   A. Report expenses for contract services relating to building/grounds repairs and maintenance (including contracted janitorial services, contracted fire alarm inspections, and contracted lawn services) here. See 1 TAC §355.103(b)(2)(C).
   B. Report maintenance supplies related to facility maintenance and non-depreciable repairs and maintenance costs associated with buildings, building equipment and grounds in this item. See 1 TAC §355.103(b)(6).
   C. Maintenance and Repairs – Report the applicable amount of building and equipment maintenance and repair expenses related to the contracts include in the Cost Report Group. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
      a. Ordinary repairs and maintenance are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably. Ordinary repairs include, but are not limited to, painting, wallpapering, copy machine repair, or repairing an electrical circuit.
      b. Extraordinary or major repairs involve relatively large expenditures, are not normally recurring, and usually increase the use value or the service life of an asset beyond what it was before the repair. Extraordinary repairs include, but are not limited to, major improvements in a building's electrical system, carpeting an entire building, replacement of a roof, or strengthening the foundation of a building. Extraordinary repairs that cost $1,000 or more and have a useful life in excess of one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in ***Step 8e.*** See §355.103(b)(6)(B).
8. Depreciation – Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization – Enter all buildings, building improvements, building

fixed equipment, leasehold improvements, land improvements and amortizable items with a cost of $2,500 or more and a useful life of more than one year in ***Step 8e***. The calculated depreciation will be transferred here.

9. Depreciation – Departmental Equipment – Enter all departmental equipment with a cost of $2,500 or more and a useful life of more than one year in ***Step 8e***. The calculated depreciation will be transferred here.
10. Operations Supplies – for all items of cost, report only net expenses, meaning gross expenses less any purchase discounts, rebates, returns or allowances.
    A. Hepatitis B vaccinations, TB tests, Chest X-rays, Drug Tests, and Physicals – Report under either Program Administration or Central Office (when a properly allocated cost of the Central Office) supplies used to administer Hepatitis B vaccinations to provider staff, as well as costs related to tuberculosis (TB) tests, chest x-rays, drug tests, and physicals.
    B. Nondepreciable Equipment – Report items which cost less than $2,500 or have a useful life of less than one year as supplies. Report here such nondepreciable equipment used for services (i.e., nursing, medical records, staff training and central supply), for program administration and the allocated portion of central office supplies.
        a. Small equipment that costs $2,500 or more and has a useful life of more than one year is considered Departmental Equipment and should be entered as such in ***Step 8e***.
        b. Nondepreciable equipment purchased or leased from a related party may not be reported here directly. Enter in ***Step 8b*** and the allowable costs will be transferred here.
    C. Employee benefits not subject to payroll taxes, such as uniforms or non-wage incentives may be reported here in the appropriate cost area.
    D. Supplies, Nursing and Medical – Report here supplies including, but not limited to, tongue depressors, swabs, Band-Aids, cotton balls, alcohol, and nursing reference books. Report nursing forms and medical records supplies in this item.
        a. Supplies which are chargeable to Medicare or sources other than Medicaid are not to be included on this item.
    E. Supplies, Office – Report office supplies in each setting as appropriate.
    F. Supplies, Operational – include non-depreciable equipment required to maintain and repair departmental equipment, garbage cans/bags, and cleaning supplies used to keep operational areas clean.
11. Depreciation – Transportation Equipment – Enter all transportation equipment with a cost of $2,500 or more and a useful life of more than one year in ***Step 8e***. The calculated depreciation will be transferred here.
12. Rent/Lease – Transportation Equipment or Contracted Transportation Services –
    A. Report transportation equipment lease/rental costs in this item.
    B. Nonrelated-party rental or lease that is not a capital lease is reported here. All related-party rentals and leases and all capital leases, whether related party or not, for transportation equipment that costs $2,500 or more and has a useful life of more than one year must be reported through ***Step 8e.***
    C. Non-depreciable transportation equipment (costing less than $2,500 or with a useful life of less than one year) rented or leased from a related party, must be reported through ***Step 8b.***
    D. Contracted Transportation Services – may be a contract with a local taxi company to transport individuals, monthly passes for individuals on the bus system or other contracts to provide transportation of individuals.
13. Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other – Report transportation expenses related only to the delivery of CBA, PHC, CLASS CMA or CLASS

DSA services. If a vehicle is used for both personal and business use, vehicle logs must be maintained to document and remove expenses related to the personal use.

Grants and contracts from the federal, state, or local governments, such as transportation grants or Housing and Urban Development Grants, should be offset, prior to reporting on the cost report, against the particular cost or group of costs for which the grant was intended. For example, if a grant was received from the Texas Department of Transportation (TX DOT) to assist in the purchase of a van, the amount of the grant would be deducted from the cost of the van and only the remaining cost, if any, reported on the cost report as a depreciable asset.

A. Insurance, Vehicle – Report the cost for insurance premiums or, in cases of self-insurance, allowable paid claims for vehicles. Report only the portion of the insurance expense directly related to the contracts include in the Cost Report Group. See Insurance – Building and Equipment above for details on proper reporting of Insurance expense.
B. Interest, Vehicle Loans – Report the interest from loans for vehicles or for repairs/maintenance of vehicles used in the CBA, PHC, CLASS CMA or CLASS DSA programs. If a related party funded the loan, do not enter directly here. Enter through ***Step 8c***.
C. Property Tax, Vehicles - Report any property tax paid on vehicles used in the CBA, PHC, CLASS CMA or CLASS DSA programs.
D. Maintenance, Repairs, Gas and Oil – Report the applicable amount of automobile expenses related to this program. Personal use of vehicles must be documented and removed from the cost report. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
   a. Ordinary transportation equipment repairs and maintenance are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably. Ordinary repairs include tune-ups, oil changes, cleaning, inspections, and replacement of parts due to normal wear and tear (such as tires, brakes, shocks, and exhaust components). Ordinary repairs may be expensed in the year the expense is accrued and reported directly in this item.
   b. Extraordinary or major vehicle repairs involve relatively large expenditures, are not normally recurring, and usually increase the use value or the service life of an asset beyond what it was before the repair. Extraordinary repairs include such things as engine and transmission overhaul and replacement. Extraordinary repairs that cost $1,000 or more and have a useful life in excess of one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in ***Step 8e***. See §355.103(b)(6)(B).
E. Other Transportation Expenses – Expenses such as license tags, parking fees and tolls should be reported in this item. Parking fines or penalties are not allowable costs and should not be in this cost report. Provide an itemization of each category of expense and its associated dollar amount in the Notes section.

14. <u>Staff Training/Seminars</u> – To be allowable, the training must be located within the state of Texas (unless not available in Texas) and be related directly and primarily to the job being performed by the staff person attending the training.
   A. For training conducted within the provider setting, allowable training costs include, but are not limited to, instructor and consultant fees, training supplies, and visual aids.

B. For off-site training, allowable costs include costs such as allowable travel costs (which are to be reported in 17. Travel, below), registration fees, seminar supplies, and classroom costs; and meet the other criteria detailed in 1 TAC §355.103(b)(12).
C. Training/Seminar costs incurred for Program Administration and Operations and Central Office staff are reported in their respective cost areas.
D. Costs for training outside the continental United States are unallowable.

15. Insurance – Liability – See 1 TAC §355.103(b)(10).
    A. Report the cost for insurance premiums for general liability and professional malpractice insurance paid to a nonrelated insurance company in this item, but only in Program Administration and/or Central Office as appropriate. As well, report the premiums paid to a risk retention group registered with the Texas Department of Insurance.
    B. Costs related to errors and omissions (liability) insurance for board members are allowable.
    C. Costs paid to a related-party insurance company for liability insurance will not be reported directly in this item. Report those costs through ***Step 8d***.
    D. Report the cost for paid claims, deductibles and co-insurance for general liability and professional malpractice insurance. The cost of claims paid under a captive insurance arrangement must be reported here. If this is, or may be, a self-insurance situation, see ***APPENDIX E – Self-Insurance***.
16. Travel (not to include mileage reimbursement) –

    For purposes of training, allowable travel must be within the state of Texas (unless not available in Texas), be related directly and primarily to the job being performed by the staff person attending the training, and meet the other criteria detailed in 1 TAC §355.103(b)(12).

    Other than mileage reimbursement, which is to be reported in ***Step 6(WAGES AND COMPENSATION)*** with the costs for the various staff types, allowable travel for purposes other than training must be related directly and primarily to the job being performed by the staff person. Such travel must be within the state of Texas except for travel for the purpose of delivering direct contracted client services within 25 miles of the Texas border with adjoining states or Mexico; or the purpose for the travel is to conduct business related to contracted client services in Texas and the travel is between Texas and the contracted provider's central office. All costs for travel outside the continental United States are unallowable costs, with the singular exception of travel required for the delivery of direct contracted client services within 25 miles of the Texas-Mexico border.

    The maximum for lodging per diem and meals per diem costs is 150% of the General Services Administration (GSA)'s federal travel rates to determine the maximum lodging and meals reimbursement rates. The GSA's website is:

    http://www.gsa.gov/portal/category/21287

    Once the provider accesses this website, they must select the correct time period from the "Find rates for fiscal year" box, remembering that federal fiscal years begin in October and end in September. For example, federal fiscal year 2012 began October 1, 2011 and ended September 30, 2012.

    After selecting the correct time period, the provider must click on the picture of the state of Texas, identify the maximum lodging and meals rates for the location of their travel lodging from the table, and multiply those amounts by 1.5. The results are the maximum allowable per

diem for lodging (plus applicable city/local/state taxes and energy surcharges) and meals. Tips and alcoholic beverages are not allowable meal costs.

For locations not specifically listed on the GSA website, the maximum allowable lodging and meals per diem rates for cost-reporting purposes remain: $127.50 for lodging (plus applicable city/local/state taxes and energy surcharges) and $54.00 for meals.

17. Fees – Management Contract – See 1 TAC §355.103(b)(3) and §355.105(b)(2)(B)(xiii).
    A. Reasonable management fees paid to non-related parties are allowable costs. If the contracted provider has a management agreement with a nonrelated business entity to provide management services to the contracts include in the Cost Report Group, report the fees incurred here and upload a copy of the management agreement signed by all interested parties. If an expense is reported in this item, ***Step 6a (WAGES AND COMPENSATION, General Information)***, *Question 1 Do you have any contracted management costs to report?* must be "YES".
    B. If the contracted manager was designated in ***Step 6a*** as a related party, do not enter those costs here. Allowable management fees paid to related parties for administrative services are limited to the actual costs (e.g., staff, supplies, materials, allocated building costs, allocated departmental equipment costs) incurred by the related-party manager for services provided. Related-party management costs must be reported as central office costs with no mark-up in the specific items related to the cost and must not be combined into one item.
18. Fees – Contracted Administrative, Professional, Consulting and Training Services – See 1 TAC §355.103(b)(2)(C).
    A. Contracted medical records services – Report here.
    B. Contracted administrative services, such as clerical temporaries, printing services, copying services, and courier delivery services – Report here.
    C. Report the cost of contracted professional services including allowable expenses related to accountants, attorneys, and data processing. Accounting fees for the preparation of income tax forms and returns are allowable costs; however, income taxes are not allowable costs. See 1 TAC §355.103(b)(2)(C) and §355.105(b)(2)(B)(viii). Professional service fees must be directly related to the activity of the provider only and directly or indirectly related to the provision of services included in the vendor payment.
    D. Legal, accounting, and other fees and costs associated with litigation between a provider and a governmental entity are unallowable costs. Pursuant to 1 TAC §355.103(b)(2)(C)(ii) and §355.103(b)(17)(I), the costs of litigation that resulted in a court-ordered award of damages or settlements to be paid by the provider or that resulted in a criminal conviction of the provider are unallowable costs. Within the narrow range of circumstances where legal expenses are allowable on the CPC Cost Report, adequate documentation must be maintained as described in §355.105(b)(2)(B)(viii). Expenses incurred because of imprudent business practices are unallowable.
    E. Allowable expenses for workers' compensation administrative and legal expenses are to be reported here.
    F. Allowable franchise fees should be reported here. Franchise fees are different from franchise taxes; see Taxes – Texas Corporate Franchise Tax below. Franchise fees that represent "goodwill" or other intangible services are not allowable. See 1 TAC 20.103(b)(17)(C).
    G. Report seminar/conference registration fees as training and seminar costs in Staff Training/Seminar above.

H. The following costs are unallowable and are not to be reported on this cost report: "NSF" (insufficient fund) charges and other penalties; fees paid to members of the provider's board of directors; and administrative fines and penalties.

19. Licenses and Permits – Include fees for licenses and permits; and license fees paid on behalf of an employee (e.g., Administrator license)
20. Interest – Other (describe) –
    A. See 1 TAC §355.103(b)(8) and §355.105(b)(2)(B)(ix-x). Report the cost of interest paid on working capital loans (e.g., lines of credit). If a related-party funded loan, do not enter here directly. Enter through ***Step 8c***.
    B. The interest expense reported in this item must be offset by any interest income, and only the remaining interest expense, if any, reported here.
21. Taxes – Texas Corporate Franchise Tax – See 1 TAC §355.103(b)(9). Report the cost of Texas corporate franchise tax expenses for the cost-reporting period only. This item should not be blank if the provider is a corporate entity. If a tax statement includes any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only costs associated with the cost-reporting period. Franchise taxes are different from franchise fees; allowable franchise fees are reported in Fees – Contracted Administrative, Professional, Consulting and Training Services above. Franchise taxes associated with states other than Texas are unallowable costs.
22. Taxes – Other (describe) – See 1 TAC §355.103(b)(9).
    A. Personal property taxes related to the contents of Program Administration office building(s) and other operational taxes associated with the Program Administration office building(s) only.
    B. Unallowable taxes include federal, state, and local income taxes; excess profit or surplus revenue based taxes; taxes levied on assets not related to the delivery of Medicaid-contracted CBA, PHC, CLASS CMA or CLASS DSA services in Texas; pass-through taxes, such as sales tax collected and remitted; and tax penalties and interest. Self-employment taxes are unallowable. Taxes for which an exemption is available are unallowable.
    C. Taxes in connection with financing, refinancing, or refunding operations, such as taxes on the issuance of bonds, property transfers, issuance or transfer of stocks are unallowable as a tax expense; however, such taxes are usually depreciated or amortized.
    D. Ad valorem property taxes are reported in Taxes - Ad Valorem Real Estate above.
    E. Texas corporate franchise taxes are reported in Taxes – Texas Corporate Franchise Tax above.
23. Advertising – See 1 TAC §355.103(b)(13) for a complete description of allowable and unallowable advertising and public relations expenses. Advertising expenses for recruitment of necessary personnel, yellow page listings no larger than one-eighth of a page, advertising to meet statutory or regulatory requirements, and advertising for the procurement of items related to contracted resident care are allowable costs.
24. Dues and Memberships – See 1 TAC §355.103(b)(11).
    A. Dues for membership in professional associations directly and primarily concerned with the provision of CBA, PHC, CLASS CMA or CLASS DSA services for which the provider is contracted are allowable. Any portion of the cost for membership that is applied to lobbying or whose purpose is to fund lawsuits or any legal action against the state or federal government is not allowable.
    B. Dues for membership in purchasing organizations or buying clubs are limited to the prorated amount representing purchases made for use in providing contracted services.

C. Subscriptions to newspapers, journals, and magazines whose content is primarily concerned with the provision of services for which the provider is contracted are allowable and should be reported in the cost area where the salaries of the employees using those subscriptions are reported (i.e. Program Administration and/or Central Office).
D. Dues or contributions made to any type of civic, political, social, fraternal, or charitable organizations are unallowable. Chamber of Commerce dues are unallowable.

25. Other (describe) – Report here any costs that cannot be reasonably reported in any prior cost category. Any cost reported here should be adequately described. Costs related to boards of directors are unallowable, with the exception of travel costs incurred to attend meetings of the contracted provider's board of directors or trustees, within limits, (reported in Travel above) and errors and omissions (liability) insurance for board members (reported in Insurance – Liability above).

Step 8g Facility and Operations Costs Summary

This Step provides a summary of the Related and Non-Related-Party Costs entered through ***Steps 8b-8f***. This view is more compact than the data entry in ***Step 8f***. The preparer may review these totals against the cost report preparation workpapers to assure that all costs are correctly captured.

ONLINE VERIFICATION AND SUBMISSION

Step 9 PREPARER VERIFICATION SUMMARY

After all items for the cost report have been completed, the report is ready for verification. The summary verification screen shows the Total Reported Revenues and Total Reported Expenses entered into STAIRS. These figures should be checked against the preparer's work papers to assure that all intended non-Medicaid revenues and expenses have been entered.

A link to the Preparer Verification Detail Report is included at the bottom of the page. This provides the detail of all units of service and expenses entered.

Once the preparer has determined that everything is entered correctly, the report can be verified. The preparer will check the box beside the phrase "I verify that the information entered is correct." Then click the Verify box at the bottom.

Steps 10 and 11 PREPARER CERTIFICATION AND ENTITY CONTACT CERTIFICATION

Certification pages cannot be printed for signing and notarizing until the report has been verified. If the report is reopened for any reason, any previously uploaded certifications will be invalidated and must be completed again.

A preparer may print out both the Preparer and Entity Contact Certification pages at the same time. Once one of the Certification pages is printed, the cost report is completed and locked. If it is discovered that additional changes need to be made, the preparer must contact the Rate Analyst for assistance in getting the report(s) reopened.

Certification pages must contain original signatures and original notary stamps/seals when uploaded to STAIRS. These pages must be maintained in original form by the provider. If these pages are not properly completed, the cost report will not be processed until the provider uploads completed pages; if completed pages are not uploaded in a timely manner, the cost report will not be counted as received timely and may be returned. If a report is returned, it is unverified and new certifications, dated after the report has been re-verified will have to be uploaded.

- *METHODOLOGY CERTIFICATION* - This page must be signed by the person identified in ***Step 1*** of this cost report as *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 for the provider. Signing as *PREPARER* carries the responsibility for an accurate and complete cost report prepared in accordance with applicable methodology rules and instructions. Signing as *PREPARER* signifies that the preparer is knowledgeable of the applicable methodology rules and instructions and that the preparer has either completed the cost report himself/herself in accordance with those rules and instructions or has adequately supervised and thoroughly instructed his/her employees in the proper completion of the cost report. Ultimate responsibility for the cost report lies with the person signing as *PREPARER.* If more than one person prepared the cost report, an executed Methodology Certification page (with original signature and original

notary stamp/seal) may be submitted by each preparer. All persons signing the methodology certification must have attended the required cost report training.

- *COST REPORT CERTIFICATION* This page must be completed and 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. The administrator of one or more of the contracts include in the Cost Report Group may not sign this certification page unless he/she also holds one of those positions. The responsible party's signature must be notarized. The signature date must be the same or after the date the preparer signed the Methodology Certification page, since the cost report certification indicates that the cost report has been reviewed after preparation.

Step 12 PROVIDER ADJUSTMENT REPORT

This Step will not be visible until after the report has been audited and provider is notified of adjustments to or exclusions of information initially submitted. Providers will receive e-mail notification that their adjustment report is ready. Provider then has 30 days within which to review their adjustments and go to ***Step 13*** to Agree or Disagree with the adjustments made. After the end of that 30-day period, the report will be set to the status of Agreed by Default

STEP 13 AGREE/DISAGREE

This Step will not be visible until after the report has been audited and provider is notified of adjustments to or exclusions of information initially submitted. The Step may only be completed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member. This individual must be designated in STAIRS with an "Entity Contact" or "Financial Contact" role.

This Step must be completed within the 30-day time frame from the date of the e-mail notifying the provider that ***Steps 12 and 13*** are available to the provider.

A provider who disagrees with an adjustment is entitled to request an informal review of those adjustments with which the provider disagrees. A provider cannot request an informal review merely by signifying provider's Disagreement in ***Step 13***. The request, or a request for a 15-day extension to make the request, must be in writing and received by HHSC no later than the review period expiration date. Additionally, the request must include all necessary elements as defined in 1 TAC 355.110(c)(1).

STEP 14 HHSC INFORMAL REVIEW

This Step only appears if the provider submits a request for an informal review. It is used by HHSC to make adjustments during the informal review process. Provider will not be able to access this Step until HHSC notifies provider of that adjustments are ready to be viewed.

APPENDIX A – Uploading Documents into STAIRS

Cost reports submitted without the required documentation will be returned to the provider as unacceptable. See 1 TAC §355.102(j)(2) and §355.105(b)(2)(B)(v).

All instructions for uploading documents into STAIRS and managing and attaching those documents electronically can be found in the STAIRS program by clicking on the Uploading File Instructions file under General Reference Materials at the bottom right hand corner of any screen in STAIRS. The Upload Center itself can be located in STAIRS on the Dashboard through clicking on Manage, to the far right on the header.

APPENDIX B – Allocation Methodologies

Units of Service: This allocation method can only be used for shared costs where the services have equivalent units of equivalent service and MUST be used where that is the case. An equivalent unit means the time of a service is important: a Nursing Facility (NF) and a DAHS facility both provide a "Day" of service, but one is a 24-hour "Day" while the other is not. An equivalent service means that the activities provided by staff are essentially the same.

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.

Salaries: If allocation based on Units of Service is 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 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

Labor Costs: This allocation method can be used where 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. It is calculated based upon the ratio of directly charged labor costs for each contract to the total directly charged labor costs for all contracts. The Five Cost Components of the Labor Costs Allocation Method:

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

Total Costs Less Facility Costs: 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.

If any of these allocation methods are used, the allocation summary must clearly show that all the cost components of the allocation method have been used in the allocation calculations. For example, when describing the numerator and denominator in numbers for the salaries method, the numerator and

denominator each should clearly show the amount of costs for salaries/wages and for contracted labor (excluding consultants).

Square footage: This allocation method is the most reasonable for building and physical plant allocations.

Functional: If the provider has any doubt whether the functional method used is in accordance with applicable rules or requires prior written approval from the Rate Analyst, contact the Rate Analyst prior to submitting the cost report.

Time study: The time study must be in compliance with 1 TAC §355.105(b)(2)(B)(i). If the time study is not in compliance with these rules, the provider must receive written approval from the Rate Analyst to use the results of the time study. According to the rules, a time study must cover, at a minimum, one randomly selected week per quarter throughout the reporting period. The allocation summary should include the dates and total hours covered by the time study, as well as a breakdown of the hours time-studied by function or business component, as applicable.

Other allocation method approved by HHSC: Requests for approval to change an allocation method or to use an allocation method other than an allocation method approved or allowed by HHSC must be received by HHSC's Rate Analysis Department before the end of the provider's fiscal year, as described at 1 TAC §355.102(j)(1)(D). To request such approval from HHSC Rate Analysis, submit and properly a disclosure statement along with justification for the change and explain how the new allocation method is in compliance with the Cost Determination Process Rules and how the new allocation method presents a more reasonable representation of actual operations.

If using an alternate allocation method, upload a properly cross-referenced copy of the provider's original allocation method approval request and any subsequent approval letter from Rate Analysis. If the provider's approval request included examples or a copy of the provider's general ledger, include those documents in the uploaded attachments for this item.

Table 1 below provides a summary of appropriate allocation methods for various situations. For questions regarding proper allocation of shared costs, please contact the Rate Analyst.

TABLE 1. APPROPRIATE ALLOCATION METHODS FOR REPORTING SHARED ADMINISTRATIVE COSTS THAT CANNOT BE REASONABLY DIRECT COSTED

Makeup of Controlling Entity's Business Components	Multiple Contracts of the Same (Equivalent) Type of Service	Various Business Components - All Labor-Intensive	Various Business Components - All with Programmatic- or Residential-Building Costs	Mixed Business Components - Some with Programmatic- or Residential-Building Costs and Some Labor-Intensive	Shared Administrative Personnel Performing Different Duties for Different Business Components (not in Direct Care)	Functional Methods
Allowable Allocation Methods	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 business component during the reporting period Purchasing Department - Number of purchase orders processed during the reporting period for each business component

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 the Rate Analyst for further instructions.

* See 1 TAC §355.105(b)(2)(B)(i) for time study requirements.

^ When using the total-cost-less-facility-cost allocation method, the building (facility) costs to be removed from the cost calculation include Lease/Rental of Building/Facility/Building Equipment; Insurance for those items; Utilities, Maintenance and Contract Services of those items; Mortgage Interest; Ad Valorem Taxes; and Depreciation for Building/Facility/Building Equipment/Land/Leasehold Improvements

Allocation Summary - UNITS of SERVICE

Adjusted Trial Balance - Sarah's CBA Corp
As of 12/31/2009

Expenses:	Total Costs	Disallowed	Austin Direct Costs	San Antonio Direct Costs	Shared Costs	Allocated Shared Costs 55.69% Austin	Allocated Shared Costs 44.31% San Antonio
Salaries							
Administrative	125,347.28				125,347.28	69,805.90	55,541.38
RNs	45,288.47		25,361.54	19,926.93	-	-	-
Attendants	33,254.88		25,458.97	7,795.91	-	-	-
Physical Therapists	82,588.92		51,205.13	31,383.79	-	-	-
Contracted RN	65,000.00				65,000.00	36,198.50	28,801.50
FICA/Medicare	21,915.69		7,804.96	4,521.66	9,589.07	5,340.15	4,248.92
State & Federal Unemployment	5,156.63		1,270.51	554.46	3,331.66	1,855.40	1,476.26
Workers's Compensation	0.00		0.00	0.00	-	-	-
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,505.73	1,198.04
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,506.05	1,993.95
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,490.92	1,981.91
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,265.68	1,007.05
Office Supplies	1,501.80				1,501.80	836.35	665.45
Medical Supplies	874.64				874.64	487.09	387.55
Insurance - General Liability	1,254.00				1,254.00	698.35	555.65
Insurance - Malpractice	1,050.87				1,050.87	585.23	465.64
Travel	387.98	237.65	54.36	35.74	60.23	33.54	26.69
Advertising	402.87	104.97			297.90	165.90	132.00
Miscellaneous	601.47	254.74			346.73	193.09	153.64
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
Austin	9,961.00	55.69%
San Antonio	7,924.00	44.31%
	17,885.00	100.00%

Allocation Summary - COST-TO-COST

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

Expenses:	Total Costs	Disallowed	Direct Costs CBA	Direct Costs CLASS	Direct Costs PHC	Shared Costs	Allocated Shared Costs 41.48% CBA	Allocated Shared Costs 30.72% CLASS	Allocated Shared Costs 27.80% PHC
Salaries									
Administrative	125,347.28					125,347.28	51,994.05	38,506.68	34,846.54
CBA Attendants	87,434.22		87,434.22			-	-	-	-
CLASS Habilitation Attendants	65,238.41			65,238.41		-	-	-	-
PHC Attendants	54,975.15				54,975.15	-	-	-	-
Supervisors	33,254.88		13,528.48	9,467.85	10,258.55	-	-	-	-
Speech Therapists	249.85		249.85			-	-	-	-
CPR Instructor	2,500.00					2,500.00	1,037.00	768.00	695.00
FICA/Medicare	28,018.12		7,723.65	5,715.03	5,009.49	9,569.95	3,969.62	2,939.89	2,660.45
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	661.93	490.23	443.63
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	1,358.41	1,345.36	558.06	413.29	374.01
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	829.60	614.40	556.00
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	824.59	610.69	552.64
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	712.78	527.88	477.70
Office Supplies	1,501.80					1,501.80	622.95	461.35	417.50
Medical Supplies	874.64				874.64	-	-	-	-
Insurance - General Liability	1,254.00					1,254.00	520.16	385.23	348.61
Insurance - Malpractice	1,050.87					1,050.87	435.90	322.83	292.14
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.43	2.54	2.30
Advertising	402.87	104.97				297.90	123.57	91.51	82.82
Miscellaneous	601.47	254.74				346.73	143.82	106.52	96.39
Totals	435,485.12	564.36	117,955.83	87,361.70	79,079.00	150,524.23	62,437.45	46,241.04	41,845.74

Cost-to-Cost Allocation Percentages:	Total Costs	Percentage
Total Healthy Care CBA	117,955.83	41.48%
Total Healthy Care CLASS	87,361.70	30.72%
Total Healthy Care PHC	79,079.00	27.80%
	284,396.53	100.00%

Allocation Summary - SALARIES METHOD

Adjusted Trial Balance - Home Health Corp
As of 12/31/20XX

Expenses:	Total Costs	Disallowed	Direct Costs Austin	Direct Costs Dallas	Direct Costs San Antonio	Shared Costs	Allocated Shared Costs 22.87% Austin	Allocated Shared Costs 50.59% Dallas	Allocated Shared Costs 26.54% San Antonio
Salaries									
Administrative	125,347.28					125,347.28	28,666.92	63,413.19	33,267.17
Attendants	87,434.22		19,286.35	46,289.32	21,858.55	-	-	-	-
RNs	44,295.84	Salary	10,352.45	22,576.36	11,367.03	-	-	-	-
Therapists	54,975.15	Costs	12,094.53	29,136.83	13,743.79	-	-	-	-
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
Dietitian	2,400.00					2,400.00	548.88	1,214.16	636.96
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
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	364.96	807.31	423.52
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	1,358.41	1,345.36	307.68	680.62	357.06
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	457.40	1,011.80	530.80
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	454.64	1,005.69	527.60
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	392.99	869.32	456.05
Office Supplies	1,501.80					1,501.80	343.46	759.76	398.58
Medical Supplies	874.64				487.39	387.25	88.56	195.91	102.78
Insurance - General Liability	1,254.00					1,254.00	286.79	634.40	332.81
Insurance - Malpractice	1,050.87					1,050.87	240.33	531.64	278.90
Travel	387.98	204.65	54.36	35.74	84.97	8.26	1.89	4.18	2.19
Advertising	402.87	104.97				297.90	68.13	150.71	79.06
Miscellaneous	601.47	254.74				346.73	79.30	175.41	92.02
Totals	450,937.82	564.36	73,776.60	138,803.15	79,648.99	158,144.72	36,167.70	80,005.41	41,971.61

Salary Method Allocation Percentages:	Salary Costs	Percentage
Total Austin	57,033.32	22.87%
Total Dallas	126,147.71	50.59%
Total San Antonio	66,190.94	26.54%
	249,371.97	100.00%

Allocation Summary - LABOR COSTS METHOD

Adjusted Trial Balance - We Care
As of 12/31/20XX

Expenses:	Total Costs	Disallowed	CLASS	Direct Costs PHC	DAHS	Shared Costs	Allocated Shared Costs 41.80% CLASS	21.85% PHC	36.35% DAHS
Salaries									
Administration	125,347.28					125,347.28	52,395.16	27,388.38	45,563.74
RNs	195,028.62		87,434.22		65,200.22	42,394.18	17,720.77	9,263.13	15,410.28
Field Supervisors	65,238.41			65,238.41		-	-	-	-
Facility Administrator	54,975.15				54,975.15	-	-	-	-
Attendants	33,254.88		13,528.48	9,467.85	10,258.55	-	-	-	-
Physical Therapists	45,572.08	Labor	45,572.08			-	-	-	-
CPR Instructor	2,500.00	Costs				2,500.00	1,045.00	546.25	908.75
FICA/Medicare	28,018.12		8,073.41	5,715.03	4,990.38	9,239.30	3,862.03	2,018.79	3,358.49
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	667.04	348.68	580.07
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	1,358.41	1,345.36	562.36	293.96	489.04
Workers' Compensation	0.00					-	-	-	-
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	836.00	437.00	727.00
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	830.95	434.36	722.61
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	718.27	375.46	624.62
Office Supplies	1,501.80					1,501.80	627.75	328.14	545.90
Medical Supplies	874.64				487.39	387.25	161.87	84.61	140.77
Insurance - Malpractice	1,050.87					1,050.87	439.26	229.62	381.99
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.45	1.80	3.00
Advertising	402.87	104.97				297.90	124.52	65.09	108.29
Miscellaneous	601.47	254.74				346.73	144.93	75.76	126.04
Totals	587,147.75	564.36	163,627.82	87,361.70	143,872.86	191,721.01	80,139.38	41,891.04	69,690.59

Labor Method Allocation Percentages:	Labor Costs	Percentage
CLASS	158,386.27	41.80%
PHC	82,804.89	21.85%
DAHS	137,761.22	36.35%
	378,952.38	100.00%

Allocation Summary - TOTAL COST LESS FACILITY COST

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

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

Total Costs-Less-Facility-Costs Allocation Percentages:

	PHC	DAHS	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%

APPENDIX C – Reserved for Future Use

APPENDIX D - A List of Some Useful Lives for Depreciation

STAIRS will assign useful lives based on data input in ***Step 8e***. Provided below is an abbreviated list of some useful lives as stated in the American Hospital Association's 2008 guide (in alphabetical order from left to right). Refer to the AHA publication for items not listed. The 2008 guide is effective for depreciable assets placed in service during the 2008 and subsequent fiscal years. Depreciable assets place in service prior to the 2008 fiscal year should follow the guide in effect at the time or the 1993 guide.

Buildings	30 yrs
Building Additions	30 yrs
Cars and Minivans	3 yrs
Light Trucks & Vans	5 yrs
Buses and Airplanes	7 yrs
Used Vehicles - see 1 TAC §355.103(b)(7)(C)(ii)	

Asset	*Years*
Air Conditioning-5 tons or more	10
Apnea Monitor	7
Bed - Flotation Therapy	10
Bed - Manual	15
Bench - Metal or Wood	15
Breathing Unit - Positive Pressure	8
Camera - Video Tape	5
Chair - Geriatric	10
Chair - Shower/Bath	10
Computer - Laptop	3
Computer - Printer	5
Cooler - walk-in	15
Desk - Metal or Wood	20
Dresser	15
Emergency Generator	20
Fencing - Brick or Stone	25
Fencing - Wood	8
Flooring - Carpet	5
Flooring - Vinyl	10
Guard Rails	15
Intercom System	10
Lawn and Patio Furniture	5
Nurses' Counter - Built In	15
Oxygen Tank, Motor, and Truck	8
Paving - Asphalt	8
Photocopier - Large	5
Pump - Infusion	10
Refrigerator - Commercial	10
Shrubs and Lawns	5
Table - Food Prep	15
Table - Wood	15
Television	5
VCR	5
Wheelchair	5

Asset	*Years*
Air Conditioning System - Less than 5 tons	5
Bath - Whirlpool	10
Bed - Electric	12
Beepers - Paging	3
Bookcase - Metal or Wood	20
Cabinet	15
Cart	10
Chair - Guest	15
Chart Rack	20
Computer - Personal	3
Computer - Software	3
Curtains and Drapes	5
Dishwasher	10
Dryer - Clothes	10
Fax Machine	3
Fencing - Chain Link	15
Files - Regular	15
Flooring - Ceramic	20
Food Service Furniture	15
Housekeeping Furniture	15
Landscaping	10
Nurse Call System	10
Nursing Service Furniture	15
Parking Lot Striping	2
Paving – Concrete	15
Photocopier - Small	3
Railings - Handrails (interior)	15
Scale	10
Sofa	12
Table - Overbed	15
Telephone System	10
Ventilator/Respiratory	10
Washing Machine - Linen, Large	15
Work Station	10

APPENDIX E – Self-Insurance

Self-insurance means that the provider has chosen to assume the risk to protect itself against anticipated liabilities. Self-insurance can also be described as being uninsured. To qualify as an allowable self-insurance plan, a contracted provider must enter into an agreement with an unrelated party that does not provide for the shifting of risk to the unrelated party designed to provide only administrative services to liquidate those liabilities and manage risks. Such administrative costs are allowable costs that should be reported in ***Step 8f.***

There may be situations in which there is a fine line between self-insurance and purchased or commercial insurance. This is particularly true of "cost-plus" type arrangements. As long as there is at least some shifting of risk to the unrelated party, even if limited to situations such as provider bankruptcy or employee termination, the arrangement will not be considered self-insurance. Contributions to a special risk management fund or pool that is operated by a third party that assumes some of the risk and that has an annual actuarial review are allowable costs and are not considered self-insurance. Examples of such special risk management funds and pools include the Texas Council Risk Management Fund and the Texas Municipal League Intergovernmental Risk Pool.

- Allowable self-insurance costs for contracted providers include claims-paid (cash basis) costs, paid coinsurance provisions and deductibles and compensation paid to employees injured on the job where the contracted provider has received certificates of authority to self-insure from the Texas Workers' Compensation Commission.
- Contributions to the insurance fund or reserve that do not represent payments based on current liabilities and security deposits related to the Texas Workers Compensation Commission Certificate of Authority to Self-Insure are not allowable self-insurance costs.
- Self-insurance costs in excess of costs for similar, comparable coverage by purchased and/or commercial insurance premiums are subject to a cost ceiling. Documentation substantiating the cost of comparable coverage by purchased and/or commercial insurance premiums must be obtained and maintained as specified in §355.105(b)(2)(B)(ix) of this title. Refer to 1 TAC §355.103(b)(10)(E).

Cost Ceilings

For employee-related self-insurance (health, dental, worker's comp, etc.), the ceilings are either:

- Cost that would have been incurred if purchased through a commercial policy; or
- Cost equal to 10% of payroll of employees eligible for coverage.

For non-employee related self-insurance (vehicle, building, etc.), the ceiling is the cost that would have been incurred if purchased through a commercial policy.

The amount above the ceiling may be calculated and carried over to future periods in the following manner.

For the initial reporting period:

1. Sum the allowable purchased insurance costs and the paid self-insurance claims for the cost-reporting period.
2. Calculate the self-insurance cost ceiling for the reporting period.
3. Compare items 1 and 2. If item 1 exceeds item 2, the costs in excess of the ceiling may be carried forward and expensed in future cost-reporting periods.

For subsequent reporting periods:

1. Sum the allowable purchased insurance costs and the paid self-insurance claims for the cost-reporting period.
2. Calculate the self-insurance cost ceiling for the reporting period.
3. Compare items 1 and 2.
   a. If item 1 exceeds item 2, the costs in excess of the ceiling may be carried forward and expensed in future cost-reporting periods.
   b. If item 1 is less than item 2, add excess carry-forward amounts from previous reporting periods until the calculated cost ceiling is met.

Documentation Requirements

Maintain documentation that supports the amount of claims paid each year and any allowable costs to be carried forward to future cost-reporting periods.

For employee-related self-insurance, obtain each fiscal year's documentation to establish what premium costs would have been, had commercial insurance for total coverage been purchased **OR** determine the ceiling based on 10% of the payroll for the employees eligible for receipt of the particular coverage/benefit.

For non-employee related self-insurance, document the cost that would have been incurred if item were fully insured. Documentation must include bids from two commercial carriers and documented bids must be obtained at least once every three years.

APPENDIX F – Importing Data Into STAIRS

For a smaller provider, the ability of STAIRS to maintain data from year to year will be a positive and time-saving process. It is also possible to import large quantities of asset data into STAIRS. To do so requires that the instructions to prepare a file for upload be followed exactly. If data to be imported is not correctly formatted, it will not import correctly and the system will be unable to utilize the data.

All instructions for importing depreciable assets are found in a Word document at the bottom right of every page in STAIRS. The document is titled “Asset Import Instructions”.