



SPECIFIC INSTRUCTIONS
for the completion of the

2013
TEXAS DAY ACTIVITY AND HEALTH
SERVICES (DAHS) COST REPORT

For assistance with the completion of the cost report, contact the Rate Analyst for this program.
For assistance with the Attendant Compensation portion of this cost report, contact Rate Enhancement Analyst for this program. The contact information for these Analysts can be found on the following webpage:
<http://www.hhsc.state.tx.us/rad/long-term-svcs/contacts.shtml>.

For assistance with the mailing and tracking of the cost report, contact:

Data Development Specialist
(512) 707-6087 (FAX: (512) 730-7475)

For assistance with the Automated Cost Reporting & Evaluation System (ACRES), contact:

ACRES Help Line
(512) 730-7404 (FAX: (512) 730-7475)

December 31, 2013
TEXAS HEALTH AND HUMAN SERVICES COMMISSION (HHSC)

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GENERAL INSTRUCTIONS

Refer to the Cost Determination Process Rules, Title 1 of the Texas Administrative Code (TAC) §§355.101-355.111, Day Activity and Health Services (DAHS) program-specific rules (1 TAC §355.6907), the 2013 Cost Report Training materials, and the 2013 DAHS Program-Specific Cost Report Training materials to answer questions related to allowable and unallowable costs and to supplement these instructions. It is the responsibility of each contracted provider to submit accurate and complete information on the cost report, in accordance with all pertinent published Texas Health and Human Services Commission (HHSC) cost-reporting rules and instructions.

Complete all applicable schedules and/or internal surveys first in order to properly complete each cost area and the expense summary statement. Instructions for the various schedules are noted in the Table of Contents.

2013 AUTOMATED COST REPORT REQUEST AND DUE DATE SCHEDULE

The automated cost report information was sent via Texas Department of Aging and Disability Services (DADS) Information Letter, to all contracted providers on or before December 31, 2013. The cost report is due on or before April 24, 2014. Refer to 1 TAC §355.105(c) of the Cost Determination Process Rules for additional information on the cost report due date. The cost report is required to be submitted electronically using the ACRES (Automated Cost Reporting & Evaluation System) software. ACRES can be downloaded at the HHSC Rate Analysis website (see Page 5 of these instructions). Please refer to the ACRES Data Entry Manual for instructions on how to electronically complete and submit the report. All schedules and attachments are to be submitted by mail. The cost report will not be considered received until all required attachments are received by HHSC Rate Analysis.

Electronically mail one completed copy of the automated cost report to:

ACRES@hhsc.state.tx.us

Send attachments to:

REGULAR MAIL:

Texas Health and Human Services Commission
Rate Analysis Department, Mail Code H-400
P.O. Box 149030
Austin, TX 78714-9030

SPECIAL DELIVERY:

Texas Health and Human Services Commission
Rate Analysis Department, Mail Code H-400
4900 North Lamar
Austin, TX 78751-2316

When submitting the cost report by regular mail, remember to include MAIL CODE H-400 in the address. When submitting the cost report through a special mail delivery/courier service, include both MAIL CODE H-400 and (512) 707-6087 to facilitate receipt.

REPORTING PERIOD

The reporting period is the period of time during the contracted provider's fiscal year that ends in 2013 for which the contracted provider's contract with DADS was in effect. The reporting period must not exceed twelve (12) months. If the reporting period is less than twelve (12) months, an explanation must be provided in the explanation box for item 9. Refer to the instructions for items 8 and 9 for additional information.

CONTRACTED PROVIDERS MUST SUBMIT AN ACCEPTABLE 2013 COST REPORT

Each provider with a contract with DADS to provide Day Activity and Health Services (DAHS) for any period of time during its fiscal year ending in 2013 is required to complete a 2013 DAHS Cost Report for each contract. For example, if a provider has two DAHS contracts with DADS, the provider must submit two cost reports (i.e., one for each contract). Likewise, three contracts would require three separate cost reports.

Each contracted provider must submit financial and statistical information in the manner provided by HHSC Rate Analysis. Cost report forms from other states or Medicare (Title XVIII) are not acceptable. Because the format of the cost report can change from year to year, only the 2013 cost report materials may be used for filing your 2013 DAHS Cost Report.

COST REPORT EXCUSAL

A provider that is enrolled in the Attendant Compensation Rate Enhancement, during its fiscal year ending in 2013 is required to submit a Cost Report to determine if requisite spending requirements were met. A provider may be excused from submitting a 2013 DAHS Cost Report for a nonparticipating contract if certain criteria have been met for their 2013 fiscal year. If the provider feels any of the below criteria have been met, they must contact the Rate Analyst, via phone, email or fax, in order to be excused from submission of their cost report. The contact information for the Rate Analyst is located on the cover page of these instructions. HHSC Rate Analysis may request documentation or verify billing data in order to grant the excusal.

1. No billable DAHS services were provided during the reporting period;
2. Circumstances beyond the provider's control, such as the loss of records due to natural disaster or removal of records from the provider's custody by a regulatory agency, make cost-report completion impossible;
3. The number of days between the date the first -DADS client received services and the provider's fiscal year end is less than 30 calendar days or one entire month;
4. If the contract has been terminated before the cost report due date; or
5. If the provider's total units of service provided to HHSC or DADS recipients during the cost-reporting period is less than the total number of calendar days included in the cost-reporting period times 1.5.

NOTE: Federal tax laws and Internal Revenue Service (IRS) regulations do not necessarily apply in the preparation of this cost report. Where the Cost Determination Process Rules and/or program-specific reimbursement methodology rules conflict with IRS or other authorities, the HHSC rules take precedence.

RATE ANALYSIS WEBSITE

You may now retrieve information from the Rate Analysis for Long-Term Services and Supports website (<http://www.hhsc.state.tx.us/rad/long-term-svcs/index.shtml>) by clicking on the link to your program. You may download the "SPECIFIC INSTRUCTIONS for the completion of the 2013 Texas Day Activity and Health Services (DAHS) Cost Report", the Cost Determination Process Rules, the DAHS program-specific reimbursement methodology rules, the ACRES Data Entry Manual, and the ACRES software. The website also contains information regarding the 2013 Cost Report Training sessions and training registration.

FAILURE TO FILE AN ACCEPTABLE COST REPORT

According to 1 TAC §355.105(b)(4)(c), failure to file a completed cost report by the due date in accordance with instructions and rules constitutes an Administrative Contract Violation and may result in vendor hold

and contract cancellation described in 1 TAC§355.111. Unacceptable cost reports also constitute an Administrative Contract Violation and will be deemed unacceptable with notification sent to the contracted provider for changes. If the unacceptable cost report is not corrected, vendor hold and contract cancellation may occur. In addition, 1 TAC §355.112(h)(4) states that participants in Attendant Compensation Rate Enhancement who do not submit an acceptable report within 60 days of the due date will have all enhancement funds recouped for the reporting period, and any such recoupments become permanent if an acceptable report is not submitted within 365 days of the due date.

EXTENSIONS FOR 2013 COST REPORTS GRANTED ONLY FOR GOOD CAUSE

Extensions of cost report due dates are limited to those requested for good cause. Good cause refers to those 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. Submit your written request for an extension to be received by HHSC at least 15 calendar days prior to the original due date of your cost report, allowing 10 working days for HHSC staff to make written response. The extension request must be made by the owner or the authorized signatory for the contract; 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 as specified in 1 TAC §355.111.

Not being aware of the due date, inconvenience of the due date, the preparer being engaged in other work so the cost report cannot be completed, or the preparer or signer not being available to sign the cost report do not meet the criteria for good cause and are not acceptable reasons to grant an extension of the due date for submission of the cost report.

ROUNDING MONETARY AMOUNTS

Round all monetary amounts to the nearest whole dollar (with no zeros included for "cents"), unless otherwise specifically directed. For example, \$25.49 should be rounded to \$25 and \$25.50 should be rounded to \$26. Cost reports submitted without proper rounding of monetary amounts may be deemed unacceptable and notification of this status sent to provider for proper completion.

REPORTING DATA/STATISTICS

All applicable questions must be completed to allow the tracking of future changes or trends. Statistical data must be reported to the nearest whole number. For example, when reporting the hours paid for Attendants (item 100), 150 hours and 30 minutes would be reported as 151 hours, and 150 hours and 20 minutes would be reported as 150 hours. Cost reports submitted with decimal places may be deemed unacceptable with notification sent to the provider for proper completion.

"PROVIDE A DESCRIPTION IN THE EXPLANATION BOX"

When asked to "Provide a Description in the Explanation Box ", provide an itemization of the total amount reported in the item, including the name of each category of expense and the dollar amount applicable to each expense category. If only one expense category makes up the amount reported in the item, the description must still include both the name of the expense category and the dollar amount applicable to it. The itemization must include a clear and understandable description of the type of expense and the dollar amount for each category of expense. Do not abbreviate the name of the expense category. Do not include expense categories such as "other", "miscellaneous", "residual", "allocated amount" or other nonspecific expense category. If necessary, attach (and properly cross-reference) an additional sheet for such itemizations.

Example: 191. Contract Services.....	(Provide description in Explanation Box).....	\$2,420
Security services		\$1,873
Lawn services		\$397
Pest Services		\$150

ADDITIONAL SCHEDULES AND NOTATIONS ON COST REPORTS

Submit additional schedules to explain an extraordinary expense item or when additional space is needed. Be sure to properly cross-reference all attachments by referencing on the attachment: (1) the attachment number in the lower right hand corner and (2) the cost report line item number (s) to which the attachment applies.

STANDARDS FOR AN ACCEPTABLE 2013 COST REPORT:

Each submitted 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 (i.e., the portion of the provider's fiscal year ending in 2013 during which the provider's contract with DADS was in effect and with a reporting period not exceeding twelve months);
3. be completed using an accrual method of accounting (except for governmental entities required to operate on a cash basis);
4. be submitted on the proper 2013 cost report form (or HHSC-approved facsimile);
5. contain all sections and items;
6. contain completed "Schedules", as required;
7. contain signed, notarized, original certification pages;
8. report dollar amounts and paid hours properly rounded to the nearest whole number and calculate all percentages to at least two decimal places;
9. submit valid completion certificates for the HHSC-sponsored mandatory cost report training required for being a preparer of the 2013 DAHS Cost Report (see instructions for PREPARER block of cover page);
10. have attached a management contract and/or lease agreement (or other proper documentation), if applicable;
11. include only 8½" x 11" pages (i.e., no legal-sized pages);
12. properly number each attachment;
13. include no individually stapled, paper clipped or otherwise bound attachments, and
14. if allocated costs are reported, include acceptable allocation summaries.

NOTIFICATION OF UNACCEPTABLE COST REPORTS

Cost reports that are not in compliance with the above standards will be deemed unacceptable. Contracted providers will be notified by certified mail or overnight mail of the status of the cost report and will be required to properly complete and resubmit the cost report or the provider will be required to submit the proper documentation or revisions. Cost reports deemed unacceptable for other reasons will include a

cover letter that details the reason(s) for the return and need for correction. Failure to timely resubmit a cost report completed in accordance with all applicable rules and instructions will constitute an Administrative Contract Violation and may result in a vendor hold and contract cancellation. Refer to Cost Determination Process Rules, 1 TAC §355.111.

AMENDED COST REPORTS

Provider-initiated amended cost reports must be received no later than 60 days after the original due date or 30 days prior to the public hearing on proposed payment rates, whichever occurs first. Amended cost reports filed after this date will have no effect on the payment rate determination. Amended cost report information that cannot be verified will not be used in payment rate determination. Refer to 1 TAC §355.105(d) of the Cost Determination Process Rules for additional information on amended cost report due dates.

If the provider becomes aware of an error on the cost report due to its review for unpaid accruals after 180 days from the provider's fiscal year end, as the result of a financial audit, or for any reason, the provider must contact the DAHS Rate Analyst to determine if an amended cost report is required.

ACCOUNTING METHOD

All revenue, expense, and statistical information submitted on cost reports must be based upon an accrual method of accounting (see 1 TAC §355.105(b)(1), (2) (A, B)), 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.

Cost reporting by contracted providers should be consistent with generally accepted accounting principles (GAAP), which are those principles approved by the American Institute of Certified Public Accountants (AICPA). Refer to 1 TAC §355.105(b)(1) for additional information regarding accruals. Internal Revenue Service (IRS) laws and regulations do not necessarily apply in the preparation of the cost report. In cases where cost-reporting rules differ from GAAP, IRS, or other authorities, HHSC and DADS rules take precedence for provider cost-reporting purposes [see 1 TAC §355.102(e)].

ALLOWABLE AND UNALLOWABLE COSTS

Only adequately documented, reasonable and necessary allowable program costs incurred or accrued during the cost-reporting period and paid within 180 days after the end of the reporting period are to be included in the cost report. These costs must be reported in accordance with this program's published reimbursement methodology and the Cost Determination Process Rules. Refer to 1 TAC §§355.101-355.111, and §355.6907.

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 the cost reports are not prepared in accordance with all applicable rules, instructions and mandatory training materials.

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. For example, the following

employee benefits/insurance costs must be direct costed and cannot be allocated: medical/health/dental insurance premiums, life insurance premiums, and 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).

For all costs reported in items 100-250 of the 2013 DAHS Cost Report, you should have documentation that supports that the reported costs directly benefit only the DAHS contract for which the cost report is being completed. Daily timesheets documenting the time spent at the specific DAHS contract are required for all salaries directly charged to the cost report. If the employee only works for the DAHS contract, the daily timesheets must document start time, the end time, and the total time worked. In other words, the hours and salaries/wages reported for the Administrator/Director (items 225/226) must reflect only the time spent at the specific DAHS facility. **If the Administrator/Director also supervises staff at your personal care services business component, your assisted living services business component, your home health agency, and/or other business component, daily timesheets must document start time, end time, and total time worked. If you decide to direct cost the paid hours and costs of the Administrator/Director, then the daily timesheets must also document the actual time spent working for each separate business component; however, if the duties performed by this employee are the same for each business component, the paid hours and costs may be properly allocated since the functions are the same and all the functions performed by this employee are administrative.**

If the Administrator/Director of the DAHS facility, also performs required RN services for the DAHS facility (or other nonadministrative functions), there must be daily timesheets to document the actual time spent at each function in order for the costs associated with the Administrator/Director/RN to be properly direct costed to each function.

If a payroll period covers two weeks, with 8 days not included in the cost-reporting period and 6 days included in the cost-reporting period, the allocation of payroll can be handled by using either one of two methods. In the first method, the payroll information must be reviewed to properly direct cost the paid hours and salaries for only the 6 days included in the cost-reporting period. In the second method, the hours and salaries may be allocated based on 6/14 of that payroll period's costs and hours 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).

If central office employees provide training in XXXX, Texas, for the organization's DAHS facility or facilities in XXXX, Texas, while it may not be reasonable to direct cost the payroll costs of those central office employees for the period of time, it is reasonable to direct cost the travel costs of such a trip to the specific DAHS facility or the business component including those DAHS facilities receiving benefit from the efforts of the central office employees and not report those specific travel costs as shared travel costs to be allocated as a pool of costs to all business components. As stated previously, direct costing must be used whenever reasonably possible.

COST ALLOCATION METHODS

Refer to the Cost Determination Process Rules [1 TAC §355.102(j) and §355.105(b)(2)(B)(v)] for additional information concerning allowable allocation methods and requirements for adequate allocation summaries.

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. The allocation method must be a reasonable reflection of the actual business operations. 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.

If there is more than one business component, service delivery program, or DADS contract within your entire related organization, you are considered to have central office functions, meaning that administration functions are more than likely shared across your various business components, service delivery programs, or DADS contracts. Shared administration costs require allocation prior to being reported in items 257-272 of the cost report. The allocation method(s) used must be disclosed in items 38-46 and in the Explanation Box (see ACRES Data Entry Manual) for item 273. An allocation summary must be submitted to support each allocation calculation.

An adequate allocation summary must include for each allocation calculation: a description of the numerator and the denominator in words and in numbers, the resulting percentage with at least two decimal places, a listing of the various cost categories to be allocated, the application of the allocation percentage to each shared cost, the resulting allocated amount, and the cost report line item on which each allocated amount is reported. In describing the numerator and denominator of the allocation calculation, it is necessary for you to document the various cost components of each. For example, the "salaries" allocation method includes salaries/wages and contracted labor (excluding consultants). Therefore, your description of the numerator and the denominator needs to provide documentation that you have properly included both salaries/wages and contracted labor in your allocation calculations. For the "labor cost" allocation method, you need to provide documentation that you have properly included salaries/wages, payroll taxes and benefits, workers' compensation costs, and contracted labor (excluding consultants) in your allocation calculations. For the "cost-to-cost" allocation method, you need to provide documentation that you have included all operating costs in your allocation calculations, including facility costs. For the "total-cost-less-facility-cost" allocation method, you need to provide documentation that you have properly excluded all facility costs (i.e., those costs reportable in the "Facility Costs" section of the cost report); and not just a few specific facility costs as may be allowed by Medicare in its calculation of "total expenses less property expenses". Examples of acceptable allocation summaries and timesheets are found on pages 13-19 of these instructions.

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. If you use different allocation methods for reporting to other funding agencies (e.g., USDA, Medicare, HUD), you must provide reconciliation worksheets to HHSC staff upon request in order to ensure that costs have not been charged to more than one funding source, how specific cost categories have been reported differently to each funding source and the reason(s) for such reporting differences, and 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 fully disclosed on the cost report and accompanied by a written explanation of the reasons and justification for such change. If the provider wishes to use an allocation method that is not in compliance with the cost-reporting allocation methods, the contracted provider must obtain written prior approval from HHSC Rate Analysis.

ALLOCATION METHODS BASED UPON REVENUE OR REVENUE STREAMS ARE INAPPROPRIATE, UNACCEPTABLE AND UNALLOWABLE.

Some DAHS providers have other costs that are shared between business components. For example, a DAHS provider who also operates a Residential Care Facility might have shared maintenance costs, shared transportation costs, shared dietary costs, shared housekeeping costs, shared security costs, shared administration costs, and other shared costs. The instructions for each cost report section (i.e., "Food Costs", "Facility & Operations Costs" and "Administration Costs") include guidelines for allocating shared costs.

The purpose of the 2013 DAHS Cost Report is to capture allowable costs for the DAHS contract according to the instructions and cost report-training guidelines in order for those costs to be used as the basis for setting payment rates for the DAHS program. Therefore, an entity that provides services in addition to DAHS must properly allocate those shared costs in order to report only the allowable costs applicable to the individual contract. Thus, proper allocation of shared costs is a primary component of accurate payment rate determination.

The chart on the following page provides a summary of appropriate allocation methods for various situations. If you have any questions regarding proper allocation of shared costs, please contact your DAHS Rate Analyst.

**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	Functional Methods
Allowable Allocation Methods	Units of Service	Cost-to-Cost Labor Costs Salaries NOT APPLICABLE TO DAHS PROVIDERS!	Cost-to-Cost Total-Cost-Less-Facility-Cost Labor Costs Salaries	Total-Cost-Less-Facility-Cost Labor Costs	Time Study* - Administrative staff	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 program's Rate Analyst for further instructions.

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

Allocation Summary - TOTAL COST LESS FACILITY COST

**Adjusted Trial Balance
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	John's Home Health	John's Adult Day Care	Shared Costs	Allocated Shared Costs	
			(PHC) Direct Costs	(DAHS) Direct Costs		57.22% John's Home Health	42.78% John's ADC
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	Facility Costs	2,385.51	2,087.32	4,472.84	2,559.36	1,913.48
Ad Valorem Taxes	3,256.88		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:

	John's Home Health	John's ADC	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 Summary - UNITS of SERVICE

**Adjusted Trial Balance
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	Dallas ADC	Fort Worth ADC	Shared Costs	Allocated Shared Costs	
			(DAHS) Direct Costs	(DAHS) Direct Costs		55.69% Dallas ADC	44.31% Fort Worth ADC
Salaries							
Administrative	125,347.28				125,347.28	69,805.90	55,541.38
Attendant Staff	45,288.47		25,361.54	19,926.93	-	-	-
Drivers	33,254.88		25,458.97	7,795.91	-	-	-
Activities Director	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
Dallas ADC	9,961.00	55.69%
Fort Worth ADC	7,924.00	44.31%
	<u>17,885.00</u>	<u>100.00%</u>

Allocation Summary - LABOR COST METHOD

**Adjusted Trial Balance
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	We Care	We Care	We Care	Shared Costs	Allocated Shared Costs		
			CBA	HCS	DBMD		43.04% We Care CBA	30.36% We Care HCS	26.60% We Care DBMD
Salaries									
Administrative	125,347.28					125,347.28	53,949.47	38,055.43	33,342.38
CBA Attendants	87,434.22		87,434.22			-	-	-	-
HCS Supported Home Living Attendants	65,238.41			65,238.41		-	-	-	-
DBMD Habilitaiton Attendants	54,975.15				54,975.15	-	-	-	-
Supervisors	33,254.88		13,528.48	9,467.85	10,258.55	-	-	-	-
Physical Therapists	4,572.08		4,572.08			-	-	-	-
CPR Instructor	2,500.00					2,500.00	1,076.00	759.00	665.00
FICA/Medicare	28,018.12		8,073.41	5,715.03	4,990.38	9,239.30	3,976.59	2,805.05	2,457.65
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	686.83	484.48	424.48
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	1,358.41	1,345.36	579.04	408.45	357.87
Workers' Compensation	0.00					-	-	-	-
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	860.80	607.20	532.00
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	855.61	603.54	528.79
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	739.58	521.69	457.08
Office Supplies	1,501.80					1,501.80	646.37	455.95	399.48
Medical Supplies	874.64				487.39	387.25	166.67	117.57	103.01
Insurance - Malpractice	1,050.87					1,050.87	452.29	319.04	279.53
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.56	2.51	2.20
Advertising	402.87	104.97				297.90	128.22	90.44	79.24
Miscellaneous	601.47	254.74				346.73	149.23	105.27	92.23
Totals	438,553.35	564.36	122,627.82	87,361.70	78,672.64	149,326.83	64,270.27	45,335.63	39,720.94

Labor Method Allocation Percentages:	Labor Costs	Percentage
Total We Care CBA	117,386.27	43.04%
Total We Care HCS	82,804.89	30.36%
Total We Care DBMD	72,561.00	26.60%
	<u>272,752.16</u>	<u>100.00%</u>

Allocation Summary - SALARIES METHOD

**Adjusted Trial Balance
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	Lake House	River House	Ocean House	Shared Costs	Allocated Shared Costs		
			(AL/RC) Direct Costs	(AL/RC) Direct Costs	(AL/RC) Direct Costs		22.87% Lake House	50.59% River House	26.54% Ocean House
Salaries									
Administrative	125,347.28					125,347.28	28,666.92	63,413.19	33,267.17
Attendants	87,434.22					-	-	-	-
Drivers	44,295.84					-	-	-	-
Medication Aides	54,975.15					-	-	-	-
Contracted RN	70,000.00					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 Lake House	57,033.32	22.87%
Total River House	126,147.71	50.59%
Total Ocean House	66,190.94	26.54%
	<u>249,371.97</u>	<u>100.00%</u>

Allocation Summary - COST-TO-COST

**Adjusted Trial Balance
As of 12/31/20XX**

Expenses:	Total Costs	Disallowed	Healthy Care			Shared Costs	Allocated Shared Costs		
			CBA Direct Costs	CLASS Direct Costs	PHC Direct Costs		41.48% Healthy Care CBA	30.72% Healthy Care CLASS	27.80% Healthy Care 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%
	<u>284,396.53</u>	<u>100.00%</u>

TIMESHEET

Employee: Jane Doe, RN

Date: Monday 3/1/20XX

Start Time: 8:00AM

End Time: 5:00PM

Total Time

Worked 8:00 hrs.

Functions:	RN	Administrator	Shared
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7:00 AM

7:30 AM

8:00 AM X

8:30 AM X

9:00 AM X

9:30 AM X

10:00 AM X

10:30 AM X

11:00 AM X

11:30 AM X

12:00 NOON

12:30 PM

1:00 PM X

1:30 PM X

2:00 PM X

2:30 PM X

3:00 PM X

3:30 PM X

4:00 PM X

4:30 PM X

5:00 PM

5:30 PM

6:00 PM

6:30 PM

7:00 PM

TOTALS	3:30 hrs	4:30 hrs	
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8:00 hrs

Signature: _____

Date: _____

NOTE: The RN is also the Administrator

**TIME
SHEET**
Attendant/Driver

Employee: James Cook

Date: Monday 3/1/20XX

Start Time: 8:00AM

End Time: 5:00PM

Total Time

Worked 8:00 hrs.

Functions:	Attendant/Driver	Cook	Shared
7:00 AM			
7:30 AM			
8:00 AM	X		
8:30 AM	X		
9:00 AM	X		
9:30 AM		X	
10:00 AM		X	
10:30 AM		X	
11:00 AM		X	
11:30 AM		X	
12:00 NOON			
12:30 PM			
1:00 PM	X		
1:30 PM	X		
2:00 PM	X		
2:30 PM		X	
3:00 PM		X	
3:30 PM		X	
4:00 PM	X		
4:30 PM		X	
5:00 PM			
5:30 PM			
6:00 PM			
6:30 PM			
7:00 PM			
TOTALS	3:30 hrs	4:30 hrs	8:00 hrs

Signature: _____

Date: _____

RECORDKEEPING

Contracted providers must maintain records that are accurate and sufficiently detailed to substantiate the legal, financial, and statistical information reported on the cost report. These records must demonstrate the necessity, reasonableness, and relationship of the costs (e.g., personnel, supplies, and services) to the provision of care or the relationship of the central office to the individual provider level. These records include, but are not limited to, all accounting ledgers, journals, invoices, purchase orders, vouchers, canceled checks, timecards, payrolls, mileage logs, flight logs, loan documents, insurance policies, asset records, inventory records, organizational charts, timestudies, functional job descriptions, workpapers used in the preparation of the cost report, trial balances, and cost allocation spreadsheets. Refer to 1 TAC §355.105(b)(2)(A) for additional information on recordkeeping and 1 TAC §355.105(b)(2)(B) for additional information on adequate documentation requirements.

HHSC requires that the contracted provider maintain cost report workpapers for a minimum period of 39 months following the end of each contract period. Refer to 40 TAC §69.158.

Adequate documentation is often not maintained by providers to support costs associated with seminars/conferences and out-of-state travel. According to the Cost Determination Process Rules 1 TAC §355.105(b)(2)(B)(vi), adequate documentation for seminars/conferences includes, at a minimum, 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 client care-related services or quality assurance.

FAILURE TO MAINTAIN RECORDS

Failure to maintain records in a form that is in compliance with HHSC requirements and that will support the revenue, expense, and statistical information submitted on the cost report may result in the cost report being deemed unacceptable which constitutes an administrative contract violation.

ACCESS TO RECORDS

Each contracted 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 inspection of pertinent records by DADS and/or HHSC may result in the return of the cost report as unacceptable and constitutes an administrative contract violation.

FIELD AUDIT AND DESK REVIEW OF COST REPORTS

Each year, HHSC Office of the Inspector General (OIG) Audit staff performs a sufficient number of field audits to ensure the fiscal integrity of the program. The number of yearly audits will not be less than the number required by federal regulations. HHSC arranges field audits to maximize the audited cost data available for use in payment rate determination.

Whenever possible, the contracted provider's records must be accessible within the state of Texas to HHSC OIG Audit staff. When records are not available within Texas to HHSC OIG Audit staff, the contracted provider must pay the costs for HHSC OIG staff to travel out of state to perform the field audit. Refer to 1 TAC §355.105(f) of the Cost Determination Process Rules.

HHSC OIG Audit staff performs a desk review on cost reports that are not scheduled for field audit. The desk review ensures that all financial and statistical information submitted on the cost report conforms to all applicable rules and instructions. Cost reports not completed according to applicable rules and instructions are considered unacceptable cost reports. Refer to 1 TAC §355.106 of the Cost Determination Process Rules.

NOTIFICATION OF EXCLUSIONS AND ADJUSTMENTS

HHSC Rate Analysis notifies the contracted provider by regular mail of any exclusions and/or adjustments to line items of the cost report. The notification is sent within 15 working days after finalization of an audit desk review by HHSC auditors. HHSC furnishes providers with written reports of the results of field audits. Field audit reports are mailed within 30 days of the final exit interview. Refer to 1 TAC §355.107 of the Cost Determination Process Rules.

REVIEWS OF EXCLUSIONS AND ADJUSTMENTS

A contracted provider that disagrees with adjustments made during the audit desk review or field audit must contact Rate Analysis within 30 days of receipt of the notification of exclusions or adjustments to request an informal review. A provider that disagrees with the decisions of the informal review may request an administrative hearing in accordance with Department rules. Only contracted providers may file for these informal reviews and administrative hearings. Refer to 1 TAC §355.110 of the Cost Determination Process Rules.

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 reimbursement methodology 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. Items are left blank that require an entry; for example, no expense reported for food cost.
3. Detail not provided for items requiring "Provide a Description in the Explanation Box".
4. Negative numbers are reported.
5. Combining of costs which should be separately reported; for example, the costs incurred for building, vehicle, and general liability insurance are all reported on the same line.
6. Misclassification; for example, the lease expense for a dishwasher is included on the "Other" line item in FOOD EXPENSES instead of being reported on the Lease/Rental - Departmental Equipment line item in the OPERATIONS COSTS section of the cost report.
7. Lease agreements or management contracts not attached (if relevant) or, if attached, they are not signed by all parties.
8. Transfer errors; for example, amounts reported on Schedule A for depreciation do not match the amounts reported on the depreciation expense line items.
9. Inconsistent information. For example, item 22 indicates that the facility is leased, but no lease costs are reported in item 183. Another example would be where lease and leasehold improvement amortization costs are reported, as well as building fixed equipment and land improvement depreciation.
10. Incorrect completion of Schedule C and failure to include an organization chart that clearly identifies each owner-employee or other related-party employee, along with each business entity/component.
11. Attachments to the cost report are not properly cross-referenced to specific cost report line items and/or cost report schedules.

Common Errors Regarding Unallowable Costs:

- A. Expenses reported for activities not related to the contracted services.
- B. Personal expenses reported for items such as in-town lunches, personal use of company vehicle, travel expenses not related to employee business travel, and personal use of company cellular phone.
- C. Expensing capital expenditures (rather than properly depreciating them) for items such as roofs, air-conditioning systems, vehicles, sidewalks, and paving of the parking lot.
- D. Salaries or expenses reported for relatives or owners who do not actually work for or perform services for the contract.

- E. Unallowable promotional advertising included in reported (allowable) advertising costs.
- F. Reporting as allowable those unallowable dues or membership fees to organizations whose primary emphasis is not related to the contracted services, for example, Chamber of Commerce, the Lions Club or VFW organizations.
- G. Reporting (with allowable expenses) the unallowable portion for penalties or fines (such as NSF fees or late payment penalties).
- H. Expensing of bad debts as "Other" costs.
- I. Payroll taxes for FICA and Medicare are not equal to 7.65% of the total reported salaries (excluding central office salaries) and no reconciliation explanation is provided for any salaries in excess of FICA and Medicare limits or tax deferred benefit plans.
- J. Not reporting related-party expenses at the cost to the related party.
- K. Failure to report related-party transactions, such as the lease of a building or vehicles.
- L. Allocated indirect costs are overstated 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).
- M. Depreciation costs overstated because of:
 - Accelerated method used instead of straight-line method,
 - Minimum 10% salvage value not used for buildings,
 - Useful lives being assigned to assets that are shorter than those required for Medicaid cost--reporting purposes, and
 - Land cost incorrectly included with historical cost of building. Land cost normally appreciates over time and is not to be included in depreciation costs.

DEFINITIONS

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

ACCRUAL ACCOUNTING METHOD - 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. Particular attention must be given to the accurate accrual of all costs at year-end for an equitable distribution of costs to the applicable period. 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. If accrued expenses are not paid within 180 days after the fiscal year end, the cost is unallowable and should not be reported on the cost report. If your cost report is submitted before 180 days after your fiscal year end and you later determine that some of the accrued costs have not been paid within the required 180-day period, you should submit a revised cost report with the unpaid accrued costs removed from the cost report. See 1 TAC §355.105(b)(1).

ADMINISTRATION COSTS - the share of all 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.

ADMINISTRATIVE CONTRACT VIOLATION – noncompliance with the Cost Determination Process Rules 1 TAC §§355.101 – 355.111. Administrative Contract Violations include, but are not limited to, failure to file a cost report in a timely manner, failure to make corrections or amendments in a timely manner, failure to maintain adequate records or documentation to support the financial and statistical data reported on the cost report, or failure to provide access to appropriate documentation. Contracted providers are granted a compliance period of no more than 30 calendar days to correct the contract violation. If the contract violation is not corrected within the compliance period, DADS imposes vendor hold on payments to the provider until the contract violation is corrected. If the contract violation is not corrected within 60 days from the date the provider is placed on vendor hold, DADS may cancel the provider's contract on the 61st day. Refer to 1 TAC §355.111.

ALLOCATION - method of distributing costs on a prorata basis. For more information, see **COST ALLOCATION METHODS** in the General Instructions section. See also 1 TAC §355.102(j) and the 2013 Mandatory Cost Report Training materials.

ALLOWABLE COSTS - identified as expenses that are reasonable and necessary to provide contracted care and are consistent with federal and state laws and regulations. For more information, see **ALLOWABLE AND UNALLOWABLE COSTS** in the General Instructions section. See also 1 TAC §355.102(a), 1 TAC §355.103(a).

ATTENDANT- an attendant is the unlicensed caregiver providing direct assistance to clients with Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL). Attendants must perform attendant functions at least 80% of their paid hours worked to be classified as attendants. Paid time off would be allocated based on direct hours worked. See also 1 TAC §355.112(b). Attendants do not include the

facility administrator, assistant facility administrator, clerical and secretarial staff, professional staff, licensed staff, attendant supervisors, cooks and kitchen staff, activity directors, maintenance and ground-keeping staff, laundry and housekeeping staff. Attendants do include drivers in the DAHS program.

BAD DEBT - unrecoverable revenues due to uncollectible accounts receivable. Bad debts are recorded on the cost report as reductions in revenue earned. The amount reported as bad debt on the cost report (item 309) must also be reported as applicable units of service and revenue in items 64 and 301, respectively. See SPECIFIC INSTRUCTIONS for item 309, as well as 1 TAC §355.103(b)(17)(M).

BUILDING (FACILITY) COSTS – costs to be reported as Facility Costs in the “Facility Costs” section of the cost report. 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 are those costs found in the Facility Costs section of the cost report.

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. Each separate contract with the state of Texas is usually considered a separate business component/entity. See also CENTRAL OFFICE and CHAIN.

CENTRAL OFFICE – also known as allocated shared administrative costs. Any contracted provider who provides administrative services shared by two or more business components is considered to have a central office. 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 DAHS facility.) For cost-reporting purposes, a "central office" exists if there are shared administrative functions that require allocation across more than one business.

If an organization consists of two or more contracted entities/business components/service delivery programs that are owned, leased or controlled through any other 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.

The costs of related-party management services must be reported and properly allocated as central office costs in items 257-272. See also the SPECIFIC INSTRUCTIONS for central office line items and 1 TAC §355.103(b)(4) and the definition for CHAIN.

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 DAHS services in the state of Texas, meaning that the business components could be located outside Texas or located within Texas and provide services other than DAHS services which may or may not be delivered through contracts with the state of Texas.

CHARITY ALLOWANCE - reduction in normal charges due to the indigence of the client. It also includes a reduction in the earned revenue for those units of service for which you will never receive payment, such as

units of service provided prior to eligibility determination or after eligibility has expired. The amount reported as a charity allowance on the cost report (item 309) must also be reported as revenue and units of service in items 301 and 64, respectively. See SPECIFIC INSTRUCTIONS for item 309.

CLIENT – any individual receiving DAHS services.

COMMON OWNERSHIP - exists when an individual or an organization possesses ownership or equity in the provider and another business entity. 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 in items 15-17 and 22-24, and on Schedule B. Administrative costs shared between entities that have common ownership must be properly allocated and reported as central office costs (i.e., shared administrative costs) on in items 257-272. See SPECIFIC INSTRUCTIONS for items 15-17, 22-24, Schedule B and central office line items. See 1 TAC §355.102(i)(2).

CONTRACT LABOR – personnel for whom the contracted provider is not responsible for the payment of payroll taxes (such as FICA, FUTA, and TUCA). Contract labor refers to those contracted staff performing functions routinely performed by employees. In contrast with contracted staff, contract labor does not include consultants. See also definition for CONTRACTED STAFF.

CONTRACT MANAGEMENT - see definition for MANAGEMENT SERVICES.

CONTRACTED PROVIDER - see definition for PROVIDER.

CONTRACTED STAFF - personnel for whom the contracted provider is not responsible for the payment of payroll taxes (such as FICA, FUTA, and TUCA). Consultants, temporaries, and contract labor are examples of contracted staff. See also CONTRACT LABOR.

CONTRACTING ENTITY – the business component with which DADS contracts for the provision of DAHS services. See SPECIFIC INSTRUCTIONS for completion of the Contracting Entity block on the cover page.

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

COURTESY ALLOWANCE - reduction in normal charges granted as a courtesy to certain individuals, such as physicians or clergy. It also includes a reduction in the earned revenue for those units of service for which you will never receive payment, such as units of service provided prior to eligibility determination or after eligibility has expired. The amount reported as a courtesy allowance on the cost report (item 309) must also be reported as revenue and units of service in items 301 and 64, respectively. See SPECIFIC INSTRUCTIONS for item 309.

DEPRECIATION EXPENSE - 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 Schedule A. See 1 TAC §355.103(b)(7).

DIRECT COST - allowable expenses incurred by the contracted 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; timestudies are not an acceptable method for documenting direct care employee's costs. Direct costs include direct care salary-related costs (i.e., salaries, payroll taxes, employee benefits, and workers' compensation costs) and direct care nonlabor costs [e.g., the employee's office space costs (e.g., facility costs related to the square footage occupied by the employee's work area), 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 - 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, and other employee benefits (e.g., employer-paid disability insurance, employer-paid retirement contributions, and employer-paid child day care for children of employees). See definition for DIRECT COST.

FACILITY COSTS - See definition of BUILDING COSTS.

MANAGER – a person, other than a DAHS administrator, having a contractual relationship to provide management services to a contracted DAHS provider. If the contracted manager and the provider are related by common ownership or control, the related-party management costs must be reported as central office costs (items 257-272). See SPECIFIC INSTRUCTIONS for item 24.

MANAGEMENT SERVICES - services provided under contract between the contracted DAHS provider and a person or organization to provide for the operation of a facility, including administration, staffing, maintenance, or delivery of services. Management services do not include contracts solely for maintenance, laundry, or food service. If the contracted management services are provided through a related-party transaction, the costs must be reported as central office costs (items 257-272). See SPECIFIC INSTRUCTIONS for item 24. See 1 TAC §355.103(b)(3).

MILEAGE REIMBURSEMENT- reimbursement paid to the attendant for the use of his/her personal vehicle and which is not subject to payroll taxes. Mileage reimbursement cannot exceed the reimbursement rate set by the Texas Legislature for state employee travel, which was 55.5 cents per mile from January 1, 2012 to December 31, 2012, and 56.5 cents per mile from January 1, 2013 to December 31, 2013.

NET EXPENSES - gross expenses less any purchase discounts or returns and purchase allowances. See 1 TAC §355.102(k). See also 1 TAC §355.103(b)(15)(D) for guidelines regarding the offsetting of certain non-routine revenues by associated expenses. See also SPECIFIC INSTRUCTIONS for Schedule K.

OWNER - an individual or organization that possesses ownership or equity in a business entity. A person who is a sole proprietor, partner, limited liability company member, or corporate stockholder owning any of the outstanding stock of the contracted provider is considered an owner. For the purposes of completing Schedule C for an owner-employee, an owner-employee is defined as an employee who is also a sole proprietor, a partner owning 5% or more of the partnership, a limited liability company member, or corporate stockholder owning 5% or more of the outstanding stock of the corporation.

PROVIDER - the individual or legal business entity that is contractually responsible for providing DAHS services under an agreement with DADS. Also known as contracted provider. See definition for CONTRACTING ENTITY.

PURCHASE DISCOUNTS - 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 reporting the costs on the cost report. See 1 TAC §355.102(k).

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

REFUNDS AND ALLOWANCES – reductions in revenue resulting from overcharges.

REIMBURSEMENT METHODOLOGY - rules by which HHSC determines payment rates for the DAHS program that are statewide and uniform by class of service. See 1 TAC §355.6907.

RELATED PARTIES - a natural 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 irrebuttable 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. Schedule B is designed for reporting 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). Related-party management costs are only disclosed on Schedule B and must be reported as central office costs. Schedule C is designed for reporting compensation for owner-employees and other related-party employees. See definition of COMMON OWNERSHIP. See also SPECIFIC INSTRUCTIONS for Schedules B and C. See also the 2013 Cost Report Training materials and 1 TAC §355.102(i).

RELATED-PARTY TRANSACTIONS – the purchase/lease of facilities, services, equipment, 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. The purpose of this principle is twofold: to avoid payment of a profit factor to the contracted provider through the related party (whether related by common

ownership or control) and to avoid payment of artificially inflated costs that may be generated from less than arm's-length bargaining. Refer to 1 TAC §355.102(i).

STARTUP COSTS – those reasonable and necessary 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. See also 1 TAC §355.103(b)(17)(D).

UNIT OF SERVICE- for the DAHS program one unit of service equals to three hours but less than six hours (or half a day); and two units of service equal to six hours (one full day) up to ten hours. In other words, a DADS DAHS client can have a maximum of two units of service in a day, for a maximum of ten units of DAHS services per week.

VENDOR HOLD - DADS rules specify that the Department may withhold payments from contracted providers in certain specific situations, as described in 1 TAC §355.111.

WORKERS' COMPENSATION COSTS - for cost-reporting purposes, the actual costs paid by the contracted provider during the reporting period related to employee on-the-job injuries (such as commercial insurance premiums 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: For cost-reporting purposes, a safety program for the reduction/prevention of employee injuries is defined as an ongoing, well-defined safety program. 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 timestudies). These safety program costs should be reported in ADMINISTRATION COSTS.

SPECIFIC INSTRUCTIONS

IN ORDER TO PROPERLY COMPLETE THE COST REPORT, THE PREPARER SHOULD:

1. Read these instructions;
2. Read the Cost Determination Process Rules (1 TAC §§355.101-355.112) and the DAHS Program-Specific Rules (1 TAC §355.6907);
3. Review the prior year's cost report and audit adjustment information (field audit report or desk review adjustment sheet);
4. Must have attended a 2013 Classroom-based First Time Attendee General and DAHS Cost Report Training or taken the 2013 On-Line General and DAHS Cost Report Training;
5. Create a comprehensive reconciliation worksheet to serve as a crosswalk between your accounting records and the cost report and vice versa; and
6. Create worksheets to explain adjustments to year-end balances due to the application of cost-reporting rules and instructions.

If you do not have item 2, you may obtain these rules from the Rate Analysis website for DAHS at <http://www.hhsc.state.tx.us/rad/long-term-svcs/dahs/index.shtml> or contact your DAHS Rate Analyst. If you do not have item 3, contact your DAHS Rate Analyst.

COVER PAGE

9-DIGIT DAHS CONTRACT #

Enter your **9-digit DAHS contract number**.

CONTRACTED PROVIDER IDENTIFICATION

Enter the trade name or doing-business-as (dba) name and the physical address of the DAHS facility. Be sure to report the appropriate 9-digit zip code for each address. If you do not know the correct 9-digit zip code(s), please contact your local post office or research “zip codes” on the Internet.

CONTRACTING ENTITY

Enter the requested information regarding the business entity that contracts with DADS to provide DAHS services in the facility identified in CONTRACTED PROVIDER IDENTIFICATION above.

CONTACT

Each provider must complete the CONTACT block. The **contact** person is the employee at the facility, contracting entity, controlling entity, parent company, sole member, governmental body, or related-party management company that 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 your cost report that arise during the HHSC Rate Analysis edit process and the HHSC OIG Audit Staff’s audit verification process.

PREPARER

Each provider must complete the PREPARER block. The **preparer** of the cost report is the person who actually prepared the cost report, whether the preparer is an employee of the facility, contracting entity, controlling entity, parent company, sole member, governmental body, or related-party management company or is contracted to complete the cost report. The preparer must have a certificate for the 2013 Texas Day Activity and Health Services (DAHS) Cost Report by having attended the 2013 HHSC-sponsored Cost Report Training or successfully completed DAHS online cost report training and received a 2013 Cost Report Training Certificate for both the general online training and the program-specific online training for DAHS. If more than one person prepared the cost report, a Methodology Certification page must be submitted for each preparer (and each preparer must have a certificate for the 2013 Texas Day Activity and Health Services Cost Report). The cost report will be deemed unacceptable if the preparer(s) did not attend the required training and/or the required documentation is not submitted (cross-referenced to item 34). The preparer must also sign, before a notary, the METHODOLOGY CERTIFICATION page. Preparers should make note of the statement on the METHODOLOGY CERTIFICATION page notifying preparers that they may lose their authority to prepare future cost reports if the cost reports are not prepared in accordance with all applicable rules, instructions, and mandatory training materials.

In order to have a certificate to prepare a 2013 Texas Day Activity and Health Services Cost Report, **the preparer must have attended training on the 2013 DAHS Cost Report or passed the online 2013 cost report training for the general and the DAHS online program-specific training**. If you have any questions as to whether or not the preparer has a certificate, you may access the Rate Analysis, DAHS website for verification:

<http://www.hhsc.state.tx.us/rad/long-term-svcs/dahs/index.shtml>; click on “Training Information”; click on “Mandatory Cost Report Training”; and click on “list of persons who have completed training to prepare 2013 Cost Reports. (**NOTE:** These individuals have authorized the release of their names.)

HHSC does not endorse anyone on this list and does not ensure that anyone on the list can properly complete a cost report.

It is important that the preparer be the person that actually worked with the provider to prepare the cost report and not just the individual that reviewed the report after it was prepared. The person that actually worked with the provider to prepare the cost report should be a preparer with a certificate. It is acceptable for both the person that actually worked with the provider to prepare the cost report and the reviewer of the cost report to each sign a Methodology Certification and that both be disclosed on the cover page as preparers, with the notation “preparer” by the person that actually worked with the provider to prepare the cost report and the notation “reviewer” by the person reviewing the report after it was prepared. By following these guidelines, HHSC Rate Analysis and HHSC Audit staff will know to whom to address specific cost report questions/issues.

Accounting records for audit of this cost report are located at (street, city, state, and zip)

Report the address where the provider's accounting records and supporting documentation used to prepare this 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 workpapers used by your CPA or other outside cost report preparer. All working papers used in the preparation of the cost report must be maintained in accordance with 40 TAC §69.158. (See also the RECORDKEEPING section of the General Instructions.)

GENERAL INFORMATION

Item 1 (DADS9-digit DAHS Contract Number):

Enter your 9-digit DAHS contract number. This item cannot be blank.

Item 2 (Type of Ownership of Contracted Provider):

Identify the type of ownership of the contracted provider from the list below. Enter the 2-digit number in item 2. This item cannot be blank. *Note: If the contracted provider is a corporation itself or merely one segment of a corporation (e.g., a dba of a corporation), "06" would be the appropriate entry.*

Proprietary (For Profit)

- 01 Sole Proprietor
- 02 Partnership
- 03 Limited Partnership
- 04 Limited Liability Company
- 05 "S" Corporation
- 06 Corporation

Nonprofit Association

- 09 Owned or affiliated
with religious organization
- 10 Not owned or affiliated
with religious organization

Nonprofit Corporation

- 07 Owned or affiliated
with religious organization
- 08 Not owned or affiliated
with religious organization

Government

- 11 State
- 12 County
- 13 Municipal
- 14 Special District
- 15 Federal

Item 3 (Type of Ownership of Contracting Entity):

Identify the type of ownership of the provider's contracting entity, using the list of ownership types provided above in item 2. Enter the appropriate 2-digit number in item 3. This item must be completed and cannot be left blank.

Item 4 (Texas Comptroller Identification Number):

The Texas Comptroller's Identification Number is a 14-digit number assigned by the Comptroller's Office. Report all 14 digits of the Texas Comptroller's payee identification number in item 4. This item cannot be blank.

This number is available from several sources. If you receive payment vouchers for your vendor payments, the number can be found on the payment voucher stubs. The number may also be found on the cover letter attached to your executed DAHS contract received from DADS. You may also obtain the number from HHSC by calling your DAHS Rate Analyst (have your 9-digit DADS DAHS contract number readily available).

The first digit must be a 1, 2, or 3. A first digit of "1" indicates that the provider is a corporation or partnership or a sole proprietorship "dba". A first digit of "2" indicates that the provider is a sole proprietorship. A first digit of "3" indicates a temporary number assigned by the Comptroller's office. The first digit of the Texas Comptroller ID Number should correspond with the type of ownership indicated in items 2 or 3.

Item 5 is reserved for future use.

Items 6 and 7 (Texas County Codes):

Texas county codes are listed on the last page of these instructions. Be sure to use the listing on the last page of these instructions and NOT the codes used for reporting to the Texas Workforce Commission!

Texas County Code in Which Contracted Provider is Located - Report the 3-digit county code for the Texas county in which the provider facility is located. This item cannot be blank.

Texas County Code in Which Accounting Records are Located - Report the 3-digit county code for the Texas county in which the accounting records and supporting documentation used to prepare this cost report are located. If the accounting records are located outside the state of Texas, enter "999". The response to item 7 should correspond to the information reported on the Cover Page in "Accounting records for audit of this cost report are located at (street, city, state, zip)". This item cannot be blank.

Items 8 and 9 (Reporting Period Beginning and Ending Dates):

If your 2013 cost-reporting period does not consist of a full year, report the beginning and ending dates for your reporting period and provide an explanation, in the Explanation Box, as to why it is less than 12 months.

The reporting period must match with DADS records regarding the effective dates of your current contract, unless a DADS DAHS client is served more than 30 days after the effective date of the contract. If there is a discrepancy, the cost report will be deemed unacceptable with notification sent to the provider for proper completion covering the correct reporting period. To change your corporate fiscal year for cost-reporting purposes, you must send written notification to your DAHS Rate Analyst. The notification needs to include the name of each affected contract, and its 9-digit contract number. The notification needs to include documentation from IRS approving the change. You must state the effective date of the change and the previous corporate fiscal year. You will be notified by Rate Analysis in writing how to handle each month for cost-reporting purposes, since no cost report can cover more than 12 months. If you facsimile the notification, it must be followed with an original in the mail. For contracting purposes, DADS Community Care Contracting must be notified on the appropriate forms.

If your contract is new or was acquired during the 2013 reporting period, complete the cost report for the period beginning with the initial date of your contract and ending with the last day of the last month of your fiscal year ending in 2013, unless a DADS DAHS client is not served within 30 days of the contract effective date. If a DADS DAHS client is not served within 30 days of the contract effective date, the beginning reporting period would be the date when the first DADS DAHS client is served. For example, if the contract effective date is 5/1/12 and the first DADS DAHS client was provided services on 7/15/12, the beginning reporting period would be 7/15/12 until the end of the fiscal year. Refer to 1 TAC §355.105(b)(5) for additional information on the cost-reporting year.

If your reporting period is less than twelve months, you must properly report only those statistics, revenues and expenses associated with the reporting period. For example, if your reporting period was 2/1/13 through 12/31/13, it is unacceptable for you to report 11/12 of your annual units of service, annual revenues, and annual expenses. Instead, it is necessary for you to report only information related to the reporting period, meaning that units of service, revenues, and costs related only to the month of January 2013 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 you properly report only those statistics (i.e., units of service),

revenues, and costs associated with the actual cost-reporting period. If, for example, your cost-reporting period was 8/15/13 through 12/31/13, it is unacceptable for you to report 3/8 of your total units of service, revenues, and costs for the year. Rather, you must report the units of service, revenues and costs associated only with the period 8/15/13 through 12/31/13. Since the month of August is partially reported (i.e., 8/15 - 8/31), it is necessary for you 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). If you have any questions regarding the appropriate method for reporting information for less than a full year, please contact your Rate Analyst.

Item 10 (Does any entity within "the entire related organization" hold any other contracts or grants with the State of Texas or any with Medicare?)

If the contracting entity or any of its controlling entities, its parent company/sole member, or any of the entities owned or managed by the related-party management company has, in addition to the DAHS contract for which the cost report is being completed, other contracts with the state of Texas or contracts with Medicare, mark "YES" and complete item 12 for any other DAHS contracts and item 13 for contracts other than Texas DAHS contracts (e.g., Texas Nursing Facility contracts, Texas Primary Home Care/Family Care contracts, Child and Adult Care Food Program, etc.).

If the contracting entity or any of its controlling entities, its parent company/sole member, or any of the entities owned or managed by the related-party management company has a contract with DADS to provide DAHS services, then the contracting entity **must** participate in the Child and Adult Care Food Program (CACFP) in accordance with 40 TAC §98.202 (a)(4) and therefore must mark this item "YES" and enter the CACFP contract number in item 13. As participation in the CACFP is a contractual requirement, if there is no CACFP contract number indicated in item 13, attach an explanation to the cost report stating the reason for not having a CACFP contract.

Item 11 (Does any entity within "the entire related organization" administer any other business entities?)

If the contracting entity or any of its controlling entities, its parent company/sole member, or any of the entities owned or managed by the related-party management company has, in addition to the DAHS contract for which the cost report is being completed, any other business entities or service delivery programs, mark "YES" and complete item 13. "Other business entities" include residential care apartments, child day care center, adult day care center, independent living apartments, therapy business, durable medical equipment business, pharmacy, hospital, home health agency, restaurant, property management company, and any other type of service/business that is not a DAHS contract. Include all business entities, not just those providing healthcare services.

Item 12 (List ALL Texas DAHS Contracts)

If item 10 is "YES", enter the number of Texas DAHS contracts, including the DAHS contract for which the cost report is being completed. Enter the **9-digit DAHS contract** number for each Texas DAHS contract, including the DAHS contract for which the cost report is being completed. List all the Texas DAHS contracts owned by the contracting entity, by any of its controlling entities, by its parent company/sole member, or owned/managed by its related-party management company. The Department intends to process all these cost reports as a chain (see DEFINITIONS section) since all the contracts have common ownership and/or common management. If necessary, submit (and properly cross-reference) an attachment that provides the requested information.

Item 13 (List ALL contracts/grants/business entities other than DAHS contracts listed in item 12)

If items 10, 11 and/or 48 are "YES", enter the number of contracts/grants/business entities, other than the Texas DAHS contracts listed in item 12, owned by the contracting entity, any of its controlling entities, its parent company/sole member, or owned/managed by its related-party management company. In the

Explanation Box, enter the program type (i.e., CACFP; PHC/FC; CBA; DAHS; NF; CACFP; home health agency; pharmacy; restaurant; property management company; etc.) **and 9-digit** contract number for each DADS contract (excluding the DAHS contract number(s) listed in item 12).

Enter the program type and contract number for all other contracts/grants/business entities outside the state of Texas. If necessary, submit (and properly cross-reference) an attachment that lists the name of each contract/grant/business, its contract number (if applicable), and the type of services delivered. Include all business entities, not just those providing healthcare services.

Item 14 (Was an Accrual Method of Accounting Used?)

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 HHSC cost reports in all areas except those in which instructions or cost-reporting rules specify otherwise (i.e., salary-related insurance costs such as workers' compensation insurance costs). Cost reports submitted not using an accrual method of accounting will be deemed unacceptable and notification sent to the provider, unless the provider is a governmental entity (i.e., items 2 and/or 3 is 11, 12, 13, 14, or 15) using the cash method or modified accrual method. Refer to 1 TAC §355.105(b)(1) for additional information on accounting methods. Refer also to instructions for items 8 and 9 (Reporting Period-Beginning and Ending).

If "NO", provide an explanation, in the Explanation Box, why the accrual method of accounting was not used.

Item 15 (Were any equipment or supplies leased or purchased from a related party?)

If "YES", complete Schedule B, Section 1A. Related-party purchases of depreciable items of equipment also require the completion of Schedule B, Section 4. Refer to the DEFINITIONS section regarding related parties and related-party transactions.

Item 16 (Were any contracted or consultant services, including contracted management, provided by a RELATED ORGANIZATION?)

If "YES", complete Schedule B, Section 1A or Section 2A, whichever is applicable. This item does NOT refer to related individuals or to individuals who are employees of the facility, its contracting entity, any of its controlling entities, its parent company, its sole member, its governmental body, or its related-party management company. Refer to the DEFINITIONS section for the definitions of related parties and related-party transactions.

Item 17 (Were any contracted or consultant services provided by a RELATED INDIVIDUAL?)

If "YES", complete Schedule B, Section 1B or Section 2B, whichever is applicable. This item does NOT refer to related organizations or groups of individuals nor does it refer to individuals who are employees of the facility, its contracting entity, any of its controlling entities, its parent company, its sole member, its governmental body, or its related-party management company. If contract management services are provided by a related party, this item should be "YES", and item 24 should also be "YES". Refer to the DEFINITIONS section for the definitions of related parties and related-party transactions.

Item 18 (Did an owner-employee or other related-party employee within "the entire related organization" work at the contract level?)

If "YES", complete Schedule C for each owner-employee or other related-party employee. This item does not refer to any owner-employee or other related-party employee who worked at a level within the organization above the facility level (i.e., a central office level such as controlling entity level, parent company/sole member level, governmental body level, or at the related-party management company); these employees should be disclosed in item 19. Even if no salary is reported on this cost report for an

owner-employee or other related-party employee who worked at this facility, a Schedule C is required. Refer to the DEFINITIONS section for OWNER and RELATED PARTIES. See also 1 TAC §355.102(i) of the Cost Determination Process Rules. Schedule C requires that an organization chart be attached thereto that clearly indicates each owner-employee's and each related-party employee's position within the entire related organization.

Item 19 (Did an owner-employee or other related-party employee within “the entire related organization” work at the central office, shared administration, or related-party management level?)

If "YES", complete Schedule C for each owner-employee or other related-party employee who worked at a central office level. Even if no salary is reported on this cost report for an owner-employee or other related-party employee who worked at a central office level, a Schedule C is required. Schedule C requires that an organization chart be attached thereto that clearly indicates each owner-employee's and each related-party employee's position within the entire related organization. Refer to the DEFINITIONS section for CENTRAL OFFICE, OWNER and RELATED PARTIES. See also 1 TAC §355.102(i) of the Cost Determination Process Rules.

Item 20 (Did an owner-employee or other related-party employee within “the entire related organization” work as the Administrator/Director?)

If Yes, complete Schedule C even if no salaries or compensation were reported. Attach an organizational chart and enter the attachment number in the explanation box.

If “YES”, complete Schedule C for the facility administrator.

Item 21 (Did an owner-employee or other related-party employee within “the entire related organization” work as the facility Assistant Administrator?)

If Yes, complete Schedule C even if no salaries or compensation were reported)

If “YES”, complete Schedule C for the facility assistant administrator.

Item 22 (Was this building leased during the cost-reporting period?)

Indicate whether or not the building/facility was leased during all or part of the cost-reporting period. If "YES", you must report a building lease cost on item 183. In addition, if the building was leased from a related party, complete Schedule B (Sections 1A and 3A) and submit a copy of the executed lease agreement signed by all interested parties entering the attachment number of the signed lease agreement in the Explanation Box.

Submission of the lease 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.

Item 23 (Was the building purchased from a related party?)

Indicate whether or not the building was purchased from a related party. If "YES", complete Schedule B (Sections 1A and 4), and attach a copy of the executed sales/purchase contract signed by all interested parties and cross-reference the attachment to item 23. Submission of the sales/purchase contract with a prior year's cost report does not exempt a facility from the requirement to submit another copy with the current cost report.

Item 24 (Were any contracted management costs (nonrelated-party or related-party) reported on this cost report?)

Indicate whether you contract with a (nonrelated-party or related-party) person or firm to manage your operations. Contracted management services exist when the provider enters into a management agreement with another business entity to provide management services to the provider. The written

management agreement must specify the management services to be rendered and the fee to be paid for those 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 section for RELATED PARTIES), mark items 16 and 24 "YES", complete Section 1A of Schedule B, and submit (and cross-reference) a 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 facility from the requirement to submit another copy with the current cost report. If there is no written management agreement, submit and cross-reference an attachment explaining why there is no written management agreement for contracted management services. Allowable management fees paid to related parties 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. **Related-party management expenses must be reported as central office expenses in items 257-272** according to the various expense categories (i.e., central office salaries, payroll taxes and benefits, office supplies, depreciation and amortization, etc.) and not combined into one item (e.g., item 273).

If a management company that is not related by common ownership to the contracted provider performs a significant amount of the functions with little or no oversight by the owners, that management company is considered to be related to the contracted provider by control and its costs must be reported as allocated central office expenses in items 257-272.

Items 25-32 (Self-Insurance)

Indicate in item 25 whether or not you are reporting any self-insurance costs on this cost report. This item is NOT asking whether or not you are self-insured for any insurance categories, but whether you are reporting any self-insurance costs on the cost report. In other words, if you are self-insured only for workers' compensation coverage and you paid/accrued no workers' compensation costs during the reporting period, item 25 would be marked "NO".

If item 25 is "YES", answer items 26-32 to indicate each insurance category for which you reported self-insurance costs on the cost report. 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. Refer to 1 TAC §355.103(b)(10) for additional information regarding self-insurance costs.

If you answer "YES" to item 29, attach (and properly cross-reference) approval from the Texas Department of Insurance for you to be self-insured for vehicle liability coverage.

If item 30 is "YES", there must be costs reported in the various "Employee Benefits/Insurance" line items. If you answer "YES" to item 31, there must be costs reported in item 291.

If item 32 is "YES", in the Explanation Box, enter a description of the other insurance.

Item 33 (Self-Insurance Cost Ceiling)

When a provider is self-insured or not fully insured by a purchased commercial insurance policy (i.e., the provider's coverage includes coinsurance provisions and/or deductibles), the amount of allowable insurance costs is subject to a cost ceiling. Refer to 1 TAC §355.103(b)(10)(E).

If item 33 is "YES", you must submit (and properly cross-reference) a detailed explanation showing the calculation of each cost ceiling, reported costs, and carry forward amounts for each insurance category

for which your self-insurance costs exceeded the cost ceiling for that type of self-insurance coverage. Refer to 1 TAC §355.103(b)(10) and 1 TAC §355.105(b)(2)(B)(ix) of the Cost Determination Process Rules.

Item 34 (Mandatory Cost Report Training Certificate or On-Line Cost Report Training Certificate)

Submit (and properly cross-reference) copies of the required state-conducted mandatory cost report training certificates qualifying your preparer as having attended the required training for the First Time Attendee 2013 DAHS Cost Report Training or successfully completed the 2013 On-line General and DAHS Cost Report Training. To be able to prepare the 2013 cost report, the preparer must have attended the First Time Attendee 2013 DAHS Cost Report training session or successfully completed the 2013 On-line Cost Report training. If you do not submit proper certificates the reports will not be considered acceptable cost reports, and will not be processed until the required certificates have been received. The cost reports may be deemed unacceptable and notification sent to provider of this status for proper completion if the required certificates are not received in a timely manner. **This item cannot be blank.** Preparers should make note of the statement on the METHODOLOGY CERTIFICATION page notifying preparers that they may lose their authority to prepare future cost reports if the cost reports are not prepared in accordance with all applicable rules, instructions, and mandatory training materials. Refer to 1 TAC §355.102(d) of the Cost Determination Process Rules.

In the Explanation Box, enter the attachment number(s) of the training certificate(s).

Item 35 (Prior Year's Audit Adjustments)

Each provider should review the results (i.e., adjustments) of the prior year's cost report audit (desk review or field audit) and make any necessary changes to the current year's cost report(s). Refer to 1 TAC §355.107 of the Cost Determination Process Rules. If you are in the process of appealing an audit adjustment when the current cost report is submitted, you are still required to make any necessary changes resulting from the prior year's cost report audit (desk review or field audit) or resulting from any informal review decision. You may attach an explanation to the current cost report stating your disagreement with the manner in which a particular cost has been required to be reported as a result of the previous year's audit or informal review. **This item cannot be blank.** See also 1 TAC §355.109(b)(2)(B).

If item 35 is answered "NO", in the Explanation Box, explain why you did not review the prior year's cost report audit adjustments and make all the necessary revisions.

Item 36 (Workpapers)

Each provider must maintain reconciliation workpapers and any additional supporting workpapers (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. **This item cannot be blank.** Refer to 1 TAC §355.105 of the Cost Determination Process Rules.

If item 36 is answered "NO", in the Explanation Box, explain why you did not reconcile your trial balance to the cost report.

Items 37-46 (Allocation of Expenses)

If any expenses reported on the cost report resulted from allocation, mark item 37 "YES".

If the response to item 37 is "YES", indicate in items 38 through 46 each type of allocation method used to allocate costs for reporting on this cost report.

IF “YES”, in the Explanation Box, you must enter the attachment number of the allocation summary.

For each allocation method used, attach (and properly cross-reference to each applicable item): a detailed allocation summary showing 100% of your expenses by cost category, the numerator and denominator of the allocation calculation in words and in numbers, the resulting allocation percentage (with 2 decimal places), the application of the allocation percentage to each shared cost, the amount allocated to each contract/program/business entity, and the cost report line item on which each allocated cost is reported on this cost report. Examples of acceptable allocation summaries can be found in the Mandatory Cost Report Training Manual.

It is recommended that a fiscal year end trial balance be attached (and properly cross-referenced), with each general ledger account noting to which program/contract/business entity the cost was directly charged or whether the cost required allocation. If the cost required allocation, the method of allocation should be clearly explained (on additional attachments, if necessary). It is also recommended that a reconciliation spreadsheet be attached (and properly cross-referenced) that begins with the amounts from the year end trial balance that are associated directly or through allocation with the specific cost report being prepared, with a column for adjustments for unallowable costs and a column indicating on which cost report line item the amount is reported. The purpose of the reconciliation spreadsheet is to provide a crosswalk between your accounting records and the amounts reported on the cost report and vice versa. The reconciliation spreadsheet should include the general ledger account number and title.

Cost reports submitted without the required detailed allocation summaries may not be processed further until the required documentation is submitted and may be deemed as unacceptable. See 1 TAC §355.102(j) and §355.105(b)(2)(B)(v).

If any allocation method used for the 2013 Cost Report is different from that used for the 2012 Cost Report, attach a detailed explanation for the reasons and justification for the change. Enter the attachment number in the explanation box for item 47. Such attachment should 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.

Item 39 (Units of Service): Any costs shared only between DAHS contracts MUST be allocated based upon units of service. Units of service **CAN NOT** be used to allocate costs between dissimilar programs. In other words, you **CAN NOT** use units of service to allocate costs between your DAHS contract, residential care contract, or your nursing facility contract.

Items 40-43 (Salaries; Labor costs; Cost-to-Cost; Total-cost-less-facility-cost): 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).

Item 44 (Functional): If you have any doubt whether the functional method used is in accordance with applicable rules or requires prior written approval from your Rate Analyst, contact your Rate Analyst prior to submitting the cost report.

Item 45 (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, you must receive written approval from your 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, whichever is applicable.

Item 46 (Other approved by Rate Analysis): If you mark this item, attach and properly cross-reference a copy of your original allocation method approval request and any subsequent approval letter from the HHSC Rate Analysis. If your approval request included examples or a copy of your general ledger, include those documents in the attachment for this item.

Item 47 (Is the response to any of the items 37 through 46 different from the response to the same item on the 2012 DAHS Cost Report?)

If item 37 is "YES" and this is your first year to submit a cost report, mark item 47 "N/A". If you submitted a 2012 DAHS Cost Report, are you using exactly the same allocation method(s) for the 2013 cost report as were previously indicated? If your allocation method(s) are exactly the same as the prior year, mark item 47 "NO" to indicate no changes have been made. However, if any allocation method was "YES" for 2012 and is not "YES" for 2013, or if any allocation method is "YES" for 2013 and was not "YES" for 2012, mark item 47 "YES" that you have made changes and submit (and properly cross-reference) a detailed explanation for each change in allocation method, providing the reason and justification for each change.

Item 48 (Is the Contracted Provider and/or its Controlling Entity a Medicare Participant?)

Indicate whether or not the contracted provider is a Medicare participant, that is, whether or not the contracted provider holds a Medicare contract. If "YES", report the Medicare contract number in item 13 (i.e., Medicare #XX-XXXX) and mark item 10 "YES".

Item 49 (Have you allocated an appropriate percentage of costs to the Medicare contract?)

If you contract with Medicare, an applicable portion of your costs must be allocated to Medicare.

If no shared costs are allocated to the Medicare contract, in the Explanation Box give an explanation of why there were not any expenses allocated to the Medicare contract. Refer to COST ALLOCATION METHODS and Items 37-46 for allocation instructions.

Item 50 (Does the Administrator/Director also provide required RN or LVN services for this facility?)

Indicate whether the Administrator/Director also provides services as an RN or LVN for this facility. Meaning that the Administrator/Director performed both administrative and direct-care functions, which requires the use of daily continuous timesheets, so that hours and compensation can be direct costed to each function.

Item 51 (Does the Administrator/Director also provide required Activity Director services for this facility?)

Indicate whether the Administrator/Director also provides services as an Activity Director for this facility. Again, meaning that the Administrator/Director performed both administrative and direct-care functions, which requires the use of daily continuous timesheets, so that hours and compensation can be direct costed to each function.

Item 52 is reserved for future use.

Item 53 (Select the address to which you want all future correspondence concerning this report to be mailed)

Based on the information you provided on the cover page of this report regarding the facility address and the contracting entity address, indicate your preference as to where you would like future correspondence regarding this cost report to be mailed by selecting the appropriate box.

Item 54 (Total number of central office staff employed by the controlling entity on the last day of the cost-reporting period)

Enter the total number of central office staff employed by the controlling entity (e.g., the individual or organization that owns the contracting entity) on the last day of the reporting period. Enter the number of employees, 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.

Item 55 (Of the employees included in the previous item, how many worked 29 hours or less a week?)

Enter the number of employees that worked 29 hours or less a week.

Item 56 (Total number of non-central office staff employed by the contracted provider on the last day of the cost-reporting period)

Enter the total number of non-central office staff employed by the contracted provider (e.g., the individual or legal business entity that is contractually responsible for providing Medicaid services) on the last day of the cost-reporting period. Enter the number of employees, not the number of full-time equivalents. Do not include contract labor or consultants.

Item 57 (Of the employees included in the previous item, how many worked 30 hours or less a week?)

Enter the number of employees that worked 30 hours or less a week.

EMPLOYEE HEALTH INSURANCE BENEFITS

Item 58 (Did the company offer health insurance to its employees on or before March 23, 2010?)

Answer “Yes” or “No” as appropriate.

Item 59 (If item 58 is yes, is that coverage still in effect?)

Answer “Yes” or “No” as appropriate.

Item 60 (Total employer-paid health insurance costs for central office staff employed by the controlling entity.)

Enter the total amount of employer-paid health insurance costs for central office staff employed by the controlling entity. This amount will **not** include any portion paid by employees.

Item 61 (Total employer-paid health insurance costs for non-central office staff employed by the contracted provider.)

Enter the total amount of employer-paid health insurance costs for non-central office staff employed by the contracted provider. This amount will **not** include any portion paid by employees.

Item 62 (Does the health insurance the 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 the company does not offer health insurance, answer No

Answer “Yes” or “No” as appropriate.

STATISTICAL DATA

UNITS OF SERVICE PROVIDED

Item 63 (Units of Service - Title XIX and XX)

Report the units of service provided in this reporting period for those Title XIX and XX clients for whom you have received payment from DADS or for whom you expect to bill DADS and to receive payment, even though payment has not yet been received.

Item 64 (Units of Service - Private and Other)

Report the units of service provided in this reporting period for private clients and other clients who are not respite or Title XIX or XX regardless of whether they can be billed to or will ever be paid by any other funding source. **Report your private client units of service in the same manner as the DADS units of service, which may require conversion of private client units to the DADS unit of service definition.**

Report the units of service provided in this reporting period for any type of clients that you served who later decided they did not want to participate in DAHS services. You must report these units of service even if you know you will not be paid for serving the client.

Report the units of service provided in this reporting period for DADS XIX or XX clients whom you served prior to their eligibility determination, even if you do not expect to be paid for the services provided during that time.

Item 65 Reserved for future use.

Item 66 (Units of Service – STAR+PLUS)

Report the units of service provided in this reporting period for those clients for whom you provided services under a STAR+PLUS contract. The costs related to providing DAHS services to STAR+PLUS clients should be reported in the appropriate cost report line items along with the costs related to providing DAHS services to DADS clients. Report only the costs of providing services that are covered under the description of DAHS services. Do not include on the cost report the costs or revenues associated with providing additional services, even if they were provided to a DAHS client.

Item 67 Reserved for future use.

Item 68 (Total Units of Service Provided)

Total the units of service reported in items 63 through 66.

Item 69 (Facility Licensed Capacity)

Report the number of clients the facility was licensed to serve (licensed by the Long Term Care Regulatory Licensure Section of DADS) at the end of the reporting period.

Item 70 (Days Facility was Open)

Report the number of days the facility was open during the reporting period.

Item 71 (Another Program located in the DAHS Building?)

Do you operate two programs within the same building? For instance, do you have contracts for both the DAHS and Residential Care (RC) programs? If you do operate two or more programs within the same building, respond "Yes" on this item. If you have another contract in addition to the DAHS contract, and that contract is the CACFP or USDA food contract, **do not** respond "YES" to this item, since the food contract does not require any allocation.

If "YES", in the Explanation Box, note what type of program other than DAHS is operated in the building.

Item 72 (Type of Building Ownership)

Note that the response to this item is only for purposes of this cost report. The type of building ownership you check on this item should be reflected in the costs reported in the Facility and Operations Costs section, items 181-205 of the cost report.

For example, if your building is donated, check box #1. If your building is donated, you would not normally have rental or lease expenses to report on the cost report. If your building was donated and the title transferred to you in an arm's-length transaction, you may begin reporting depreciation related to the building. If you are reporting depreciation for a donated building, item 73 should be "Yes". Refer to §355.103 (b)(16) of the Cost Determination Process rules for detailed information regarding building donations.

If the building is owned by the contracted provider, please check box #2. Schedule A must be completed and the correct cost information transferred from Schedule A to item 192 of the cost report. If you currently own the building because the building was donated to you, check box #1, since your building was donated.

If the building is rented/leased from a related organization/party, please check box #3. Schedule B must be completed and the correct cost information transferred from Schedule B to item 183 of the cost report.

If the building is rented/leased from an unrelated organization/party, please check box #4 and complete item 183 of the cost report.

Item 73 (Donated Building Depreciation)

If your building was donated and the title transferred to you in an arm's-length transaction, you may begin reporting depreciation related to the building. If you are reporting depreciation for a donated building, item 73 should be "Yes". Refer to §355.103 (b)(16) of the Cost Determination Process rules for detailed information regarding building donations.

Items 74-78 (DAHS Facility Square Footage [Enclosed area only])

Square footage is often used as a basis for allocation of building costs. Accuracy in reporting the square footage amounts is important as one reasonableness check on your allocation method. However, if the DAHS program utilizes the entire building in which DAHS services are provided, it is unlikely an allocation based on square footage would be necessary. Therefore, if you answer "Yes" to item 74, do not complete items 75 through 77 relating to square footage.

Items 79 through 99 are reserved for future use.

ATTENDANT STAFF COSTS

NOTES: For a check of accuracy in reporting, divide the amount reported for salaries/wages (or compensation) by the reported paid hours to see if the resulting hourly wage (or hourly compensation) is representative of the contracted provider's average hourly wage (or hourly compensation) for each type of staff.

Refer to the Cost Determination Process Rules, 1 TAC§355.103(b)(2) and 1 TAC §355.105(b)(2)(B)(xi).

Compensation for an owner-employee and related-party employee should include all cash and non-cash compensation subject to federal payroll tax regulation. Compensation includes withdrawals from the owner's capital account, wage/salaries (including bonuses), payroll taxes and insurance, and fringe benefits. Salaries and wages must be paid in regular periodic payments and be adequately documented and verifiable. Time sheets, time studies, job descriptions, and other forms of documentation must be available to support that the owner-employee or related-party employee actually performed services relating to the provision of services for which DADS has contracted. The services performed must be necessary for the provision of DAHS and must not be duplicative of services performed by other employees.

Attendant staff paid hours and costs reported in items 100-110 of this cost report must follow the same guidelines as the attendant staff paid hours and costs reported on the Attendant Compensation Rate Enhancement Report. Refer to “DEFINITIONS” of “ATTENDANTS”.

Any compensation which is not clearly enumerated as to dollar amount or which represents a distribution of profits or surplus revenue is not allowable for cost reporting purposes, regardless of whether it is taxable income to the employee according to the Internal Revenue Service.

In order for compensation received by partners to be allowable, the partnership agreement must clearly identify the amount of compensation to be paid to each partner and the duties which will be performed by the partners. Compensation which is calculated as a percentage of profit or revenue, or which is a distribution of profit, is not allowable for cost reporting purposes. Allowable compensation of partners must meet the criteria of compensation for owner-employees or related-party employees. If this written agreement exists and payments to the partner(s) are documented and correspond to the agreement, compensation for DAHS can be reported in this cost report in the appropriate salary/wage line item.

ATTENDANT STAFF

NOTES:

To be reported as attendant staff, an attendant/driver must perform attendant/driver functions 80% or more of his/her total time worked. If an attendant/driver performs attendant/driver functions 100% of his/her total time worked, documentation of the employee's paid hours must include start time, end time, and total hours worked each day.

1 TAC §355.112(b)(1) states that, when attendants/drivers for the DAHS program also provide **nonattendant** services, in order to be counted as an attendant/driver, the attendant/driver must document that at least 80% of his/her time is spent performing attendant/driver duties. To document that such an employee performed attendant/driver functions at least 80% of his/her total time worked, in addition to

daily timesheets documenting the employee's start time, stop time, and total time worked, the employee must conduct a timestudy in accordance with 1 TAC §355.105(b)(2)(B)(i). This means that, for one randomly selected week each quarter, the employee's daily timesheets must document actual time spent performing attendant/driver and nonattendant functions. If the results of the timestudy support that the employee performed attendant/driver functions at least 80% of his/her total time worked, then 100% of the employee's paid hours and compensation should be reported as attendant/driver staff. If the timestudy does not support that the employee performed attendant/driver functions at least 80% of his/her total time worked, the employee's paid hours and compensation for performing attendant functions should be reported in items 130/131 (Other Staff), with a description similar to "Less than 80% attendants \$XXXX XX hrs".

ATTENDANT/DRIVERS do not include director, administrator, assistant director, assistant administrator, clerical and secretarial staff, professional staff, other administrative staff, licensed staff (e.g., RNs and LVNs), attendant supervisors, maintenance and grounds-keeping staff, activity director, and laundry and housekeeping staff.

So, if an RN is also the program director (whenever the program director is onsite) and also performs attendant functions, then daily continuous timesheets should be maintained to support when RN duties are being performed, when program director duties are being performed, when attendant duties are being performed, and shared time (i.e., time associated with all the functions such as paid leave and meetings). Any time spent performing attendant functions (i.e., direct time performing attendant functions and a properly allocated portion of shared time) for the RN should be reported in items 130/131 as "Less than 80% attendants".

All of the administrator's/director's time/salaries should be reported as administrator (items 225/226), unless the administrator/director, who is an RN, also serves as RN or Activity Director (but not all three), in which case daily timesheets must be maintained to document direct RN time, direct Activity Director time or direct Administrator/Director time, and shared time.

Items 100, 102, 107, 109 (Paid Hours)

Report the total number of paid hours for attendants, drivers and/or contracted attendants/drivers for this facility. In order to report the paid hours for the attendant staff, the attendant, driver, contracted attendant/driver must perform attendant functions at least 80% of their total time worked. If the attendant, driver, contracted attendant/driver function in an attendant capacity at least 80% of their total time worked, you must report 100% of their paid hours on the appropriate line item. If the attendant, driver, contracted attendant/driver did not performed attendant functions at least 80% of their total time worked, you must report their paid hours on line item 130 "Other Staff". See Page 19 for an attendant/driver timesheet example.

Items 101, 103, 108, 110 (Compensation)

Report the compensation paid to attendants, drivers, contracted attendants/drivers that function in an attendant capacity at least 80% of their total time worked (and paid time off). Please include all attendant compensation to provide attendant services to DADS, STAR+PLUS and private pay clients. Compensation includes salaries and wages (including overtime), cash bonuses and cash incentives paid from which payroll taxes are deducted. If the attendants, drivers, contracted attendants/drivers function in an attendant capacity at least 80% of their total time worked, you must report 100% of their compensation on the appropriate line item. If the attendant, driver, contracted attendant/driver did not perform attendant functions at least 80% of their total time worked, you must report their compensation on line item 131 "Other Staff". If any attendant staff functions in more than one capacity, time sheets must be maintained to determine if 80% of their total time was spent in an attendant capacity.

Item 104 (Employee Benefits/Insurance-Attendants/Drivers)

Report in this item the direct costed employer-paid health, life or disability insurance premiums, employer-paid retirement contributions or employer paid child day care for children of employees paid as employee benefits on behalf of your attendants/drivers. Self-insurance paid claims should be properly allocated or direct costed in accordance with the Cost Determination Process Rules 1 TAC §355.103(b)(1)(A)(iii). Describe on the lines provided the amount and type of each benefit/insurance category comprising the total amount reported. Report office party costs and other employee relation costs as Administration costs.

Item 105, 106 (Miles and Mileage Reimbursement)

Report the number of miles in item 105 and the corresponding reimbursement paid to attendants/drivers in item 106. Refer to the DEFINITIONS section regarding mileage reimbursement. The amount of mileage reimbursement reported in item 106 will be divided by the number of miles reported in item 105 to verify mileage reimbursement ceilings. Allowable mileage reimbursement cannot exceed the reimbursement rate applicable for the reporting period (55.5 cents per mile from January 1, 2012 to December 31, 2012, and 56.5 cents per mile from January 1, 2013 to December 31, 2013) as set by the Texas Legislature for state employee travel. Refer to the Cost Determination Process Rules, 1 TAC §355.103(b)(12)(B).

Item 111 (TOTAL Attendant Care Staff Costs)

Sum items 101, 103, 104, 106, 108 and 110.

Items 112 through 119 are reserved for future use.

OTHER DIRECT CARE COSTS

PERMANENT STAFF

If an employee functions as an other direct care permanent staff as identified in items 121, 123, 125, 127, 129, or 131, and as an administrative staff as identified in items 226, 228, 230, 232, or 234, then that employee's hours and salary must be directly costed between the positions in which he/she functions. For example, if you serve as both the Administrator/Director and RN, **you must** direct cost your hours and salary between the Administrator (items 225 and 226) and RN (items 122 and 123) positions. It is also required for a DAHS program Administrator/Director who performs services for more than one business component to direct cost his/her hours/salaries based upon daily continuous timesheets. Refer to DIRECT COST in the DEFINITIONS section of these instructions.

For all costs reported in items 101-250 of the 2013 DAHS Cost Report, you should have documentation that supports that the reported costs directly benefit only the DAHS contract for which the cost report is being completed. Daily timesheets documenting the time spent at the specific DAHS contract are required for all salaries directly charged to the cost report. If the employee only works for the DAHS contract, the daily timesheets must document start time, the end time, and the total time worked. In other words, the hours and salaries/wages reported for the Administrator/Director (items 225/226) must reflect only the time spent at the specific DAHS facility. **If the Administrator/Director also supervises staff at your personal care services business component, your assisted living services business component, your home health agency, and/or other business component, daily timesheets must document start time, end time, and total time worked. If you decide to direct cost the paid hours and costs of the Administrator/Director, then the daily timesheets must also document the actual time spent working for each separate business component; however, if the duties performed by this employee are the same for each business component, the paid hours and costs may be properly allocated since the functions are the same and all the functions performed by this employee are administrative.**

If the Administrator/Director of the DAHS facility, also performs required RN services for the DAHS facility (or other nonadministrative functions), there must be daily timesheets to document the actual time spent at each function in order for the costs associated with the Administrator/Director/RN to be properly direct costed to each function.

An RN or an Activity Director can also be an Administrator/Director. An RN can be either an Administrator/Director or an Activity Director, but not all three (i.e., RN, Administrator/Director, Activity Director).

The DAHS program requires a full-time Administrator/Director. However, if the Administrator/Director is also an RN or an Activity Director, the time spent by the Administrator/Director performing RN or Activity Director duties must be properly reported as such, based upon daily continuous timesheets. In such cases, the cost report would not reflect a full-time Administrator/Director and this would be acceptable for these cases. See Page 18 of these instructions for a timesheet example.

If an employee functions as more than one type of other direct care permanent staff as identified in items 121, 123, 125, 127, 129, or 131, do not split that employee's hours and salary between the positions. Report all that employee's hours and salary in the position in which the employee spends the most time, based on actual time studies or timesheets.

NOTES: For items 122 (RN hours) and/or 135 (Contracted RN hours) if the facility nurse is not an RN, the minimum RN hours is **4 hours per week**.
For items 126 (Dietitian hours) and/or 139 (Contracted Dietitian) the minimum Dietitian hours is **4 hours per month**.

Items 120, 122, 124, 126, 128, 130 (Paid Hours)

Report the total number of paid hours for each category of staff. In the case of full-time salaried staff, you may use 2,080 hours (40 hours x 52 weeks) per year for reporting purposes. Do not include in items 130/131 (Other Staff) any administrative hours/compensation. Administrative staff should be reported in items 225-234. Do not report any maintenance staff in items 130/131. Maintenance staff should be reported in items 180/181.

Items 121, 123, 125, 127, 129, 131 (Compensation)

Report compensation for those DAHS staff personnel actually employed by you and for whom you are required to make FICA contributions. Compensation includes salaries and wages (including overtime), cash bonuses and cash incentives paid from which payroll taxes are deducted. ***If the owner of this contract is also an employee and receives compensation, refer to the Cost Determination Process Rules, 1 TAC §355.103(b)(2) and §355.105(b)(2)(B)(xi, xiii).***

If staff receive meals as part of their compensation, the costs for these items should be included in the cost report within the appropriate cost area where the costs are incurred (i.e., cost for meals for employees would be included in food cost). Refer to Cost Determination Process Rules, 1 TAC §355.103(b), §355.103(b)(1)(A)(iii)(II) and §355.105(b)(2)(B)(xi, xii).

Item 132 (Employee Benefits/Insurance-Permanent Staff)

Report in this item the direct costed employer-paid health, life or disability insurance premiums, employer-paid retirement contributions or employer paid child day care for children of employees paid as employee benefits on behalf of your permanent staff. Self-insurance paid claims should be properly allocated or direct costed in accordance with the Cost Determination Process Rules 1 TAC §355.103(b)(1)(A)(iii). Describe on the lines provided the amount and type of each benefit/insurance category comprising the total amount reported. Report office party costs and other employee relation costs as Administration costs (item 250).

CONTRACTED STAFF

Items 133, 135, 137, 139 and 141 (Paid Hours)

Report the total number of paid hours for each category of contracted staff. Do not include in Items 141/142 (Other Contracted Staff) any administrative hours/compensation. Administrative staff should be reported in items 225-234. Do not report any maintenance staff in items 141/142. Maintenance staff should be reported in items 180/181.

Items 134, 136, 138, 140 and 142 (Compensation)

Report the total costs for contracted staff including travel costs, fees, etc. Refer to the Cost Determination Process Rules, 1 TAC §355.103(b)(2)(C).

FOOD AND FOOD SERVICE COSTS

Report in this cost area all food, beverage, related supply costs, and the cost of contracted food services for the DAHS contract. **Do not report the salaries/wages or contracted fees for the Dietician or Food Service Personnel in the Food and Food Service Costs section. Salaries/wages or contracted fees for the Dietician or Food Service Personnel should be reported in the Other Direct Care Costs Section of the cost report.**

The expense incurred to provide meals at no cost to employees may be included in the cost report in the Food and Food Service Costs section. Employee meal costs do not need to be separated from the food costs of serving DAHS clients, unless the employee meal costs are reported as employee benefits on employees' Internal Revenue Service (IRS) Form W-2.

If employee meal costs are reported as employee benefits on employees' IRS Form W-2, the employee meal costs should be reported as **employee compensation** and not employee benefits. The food and food service costs should be lowered by the amounts reported as **employee compensation** prior to being reported on the cost report so that the costs are not reported on the cost report twice. Note on the cost report that the reduction to food and food service costs has occurred.

If employees or guests pay for all or a portion of their meals, that revenue should be used to offset (reduce) food and food service costs prior to reporting those costs on the cost report. Schedule K should be used for this purpose.

Report the revenues received from participation in the Child and Adult Care Food Program (CACFP) in item 305 of the cost report, in the Statement of Revenues and Expenses. **The CACFP revenue is the same as USDA revenue.** Do not offset the CACFP revenue against related expenses. The DAHS Rate Analyst will reduce each provider's total food and food service expenses by the amount of CACFP (USDA) revenue before the food and food service expenses are included in payment rate calculations. **If you received no CACFP revenue, submit and properly cross-reference a detailed explanation why no revenue was reported, since participation in the CACFP is a DAHS program requirement.**

Allocation of Shared Dietary/Central Kitchen Expenses

A central kitchen is defined as a kitchen, which provides meals and/or snacks to more than one contract, program, or business entity. If you have a central kitchen, which prepares meals for more than one business entity or DAHS contract, YOU CANNOT report the expense of the meals provided for this DAHS contract as a single line item entry on the cost report. Shared dietary/central kitchen expenses must be reported on the cost report in the various line items that reflect the types of expense (i.e. building depreciation, salaries, food, food service supplies).

Shared dietary/central kitchen costs include dietary staff costs, food costs, nonfood supplies, contracted dietary services, kitchen building costs (including depreciation/lease, maintenance costs, utilities, insurance, and other facility costs allocable to the kitchen area), and kitchen departmental equipment costs (including non-depreciable purchases, depreciation, rental/lease costs, and repairs/maintenance costs). If the dining room is also shared, then the dining room costs (i.e., staff, building, and departmental equipment) must also be properly allocated.

If dietary staff work in positions other than the kitchen area, the time spent working in each function must be documented and properly reported using timesheets. The non-dietary staff costs must be first removed before applying an allocation method to the shared dietary/central kitchen costs.

Allocation of these expenses must be accompanied by a detailed allocation summary. Cost reports that are submitted without the required detailed summaries will not be considered acceptable and will be deemed unacceptable with notification sent to provider for proper completion. (Refer to 1 TAC §355.102(j) and §355.105(b)(2)(B)(v))

Central kitchen costs can be allocated based on one of three **functional** (item 44) allocation methods:

- Number of meals provided;
- The weighted number of meals provided or
- Central kitchen allocation methodology guidelines

All shared dietary/central kitchen costs can be allocated by the number of meals provided allocation method if the central kitchen:

- 1) Prepares meals for only DAHS programs; **and**
- 2) Provides the **same meal service** to **all DAHS contracts**, such as:
 - a) the noon meal only to all DAHS contracts, **or**
 - b) the noon meal and two snacks to all DAHS contracts, **or**
 - c) the noon meal and one snack to all DAHS contracts.

There are certain situations where using the number of meals provided as an allocation basis for central kitchen expenses is not appropriate. The following situations are examples where the number of meals provided is **not** an acceptable allocation method:

- 1) A central kitchen provides meals to a DAHS contract and a non-DAHS contract. For example:
 - The central kitchen provides meals to a DAHS contract and to a Residential Care contract;
or
 - The central kitchen provides meals to a DAHS contract and to a Child Day Care contract.
- 2) A central kitchen does not provide the same meal service to all DAHS contracts. For example:
 - The central kitchen provides meals to multiple DAHS contracts. Some of the DAHS contracts receive the noon meal and two snacks, and other DAHS contracts receive only the noon meal, or the noon meal and one snack.

When the meals service is not the same and dietary care services are shared by more than one business component (e.g., nursing facility residents, independent living residents, child day care, and/or hospital), the shared dietary costs must be properly allocated using either of the following allocation methods:

- The Weighted Number of Meals Provided Allocation Method or
- The Central Kitchen Allocation Methodology Guidelines

The Weighted Number of Meals Provided allocation method can be found on pages 53-56 of these instructions, while Central Kitchen Allocation Methodology Guidelines can be found on pages 57-61.

Item 143 (Food and Beverages)

Report on this item all food and beverage costs, regardless of whether the type of food or beverage cost is allowable in the CACFP/USDA food program. If you have no costs for this item, attach and cross-reference an explanation as to why no such costs have been reported in this item.

Item 144 (Supplies)

Report on this item all supplies related to food and food service, such as dishes, flatware, utensils or detergents.

Kitchen equipment costing \$2,500 or more, with a useful life in excess of one year, must be capitalized and depreciated on Schedule A or Schedule B as appropriate. The allowable depreciation cost is transferred from Schedule A to item 204 (Departmental Equipment Depreciation). Kitchen equipment purchased or leased from a related party must be reported on Schedule B (Section 1A and Section 3B or Section 4, item 5) and the allowable expenses transferred to items 197 or 204, as appropriate.

Repairs/maintenance costs for kitchen equipment regardless of the cost of the equipment are reported in item 201. Extraordinary repairs costing \$1,000 (effective September 1, 2011 the amount for extraordinary repairs changed to \$2,500) or more, with a useful life in excess of one year must be capitalized and depreciated on Schedule A or Schedule B as appropriate and the allowable depreciation costs transferred to the appropriate line items on the cost report. For details on depreciation see the instructions for Schedule A.

Include kitchen equipment that costs less than \$2,500 or has a useful life of less than one year. Include in this item, reference books and other resource materials used to plan meals and provide necessary nutritional services.

Item 145 (Contracted Food Services)

If you contract with another business or company for food services, report the costs for those services on this item and indicate the name of the contracted food services entity in the explanation box. Do not include the rental/lease of kitchen departmental equipment (i.e., dishwasher, freezer, or ice machine).

Item 146 (Other Food and Food Service Expenses)

Report other food expenses related to this contract in this item. Provide an itemization of each category of expense and its associated dollar amount as noted in the "Provide a Description in the Explanation Box" section of the General Instructions. Rental of kitchen equipment should be reported in item 197. Nondepreciable repairs and maintenance costs for kitchen departmental equipment should be reported in item 201; depreciable repairs and maintenance costs for kitchen departmental equipment should be reported in item 204.

The Weighted Number of Meals Provided Allocation Method

The “weighted number of meals provided” method of allocating meal costs uses United States Department of Agriculture (USDA) Child and Adult Care Food Program meals patterns and child-to-adult meals ratios to develop weights for each type of meal (i.e., breakfast, lunch, dinner, and snack) for different age groups (i.e., children ages 3 to 5, children ages 6 to 12, and adults). These weights can then be used to determine the proportion of total weighted meals provided by the central kitchen to each age group and to each DAHS contract. By multiplying the proportion of total weighted meals provided to the DAHS contract for which you are completing the cost report by the various central kitchen costs, you can determine the central kitchen costs which should be reported on this cost report.

The weights for each meal type for each age group are calculated by multiplying the child-to-adult ratio for the age group and meal type by the Recommended Daily Allowance (RDA) weight for the age group and meal type. These weights are calculated in Tables 1 – 4 below.

Table 1. Meal Weights for Children Ages 3 to 5.

Meal Type	Child-to-Adult Ratio		RDA Weight		Meal Weight
Breakfast	0.6667	X	0.75	=	0.5000
Lunch	0.5625	X	1.00	=	0.5625
Snack	0.7500	X	0.50	=	0.3750
Supper	0.5625	X	1.00	=	0.5625

Table 2. Meal Weights for Children Ages 6 to 12.

Meal Type	Child-to-Adult Ratio		RDA Weight		Meal Weight
Breakfast	0.8333	X	0.75	=	0.6250
Lunch	0.8125	X	1.00	=	0.8125
Snack	1.2500	X	0.50	=	0.6250
Supper	0.8125	X	1.00	=	0.8125

Table 3. Meal Weights for Adults.

Meal Type	Child-to-Adult Ratio		RDA Weight		Meal Weight
Breakfast	1.00	X	0.75	=	0.75
Lunch	1.00	X	1.00	=	1.00
Snack	1.00	X	0.50	=	0.50
Supper	1.00	X	1.00	=	1.00

Table 4. Meal Weights for Children Ages 1 to 2.

Meal Type	Child-to-Adult Ratio		RDA Weight		Meal Weight
Breakfast	0.4167	X	0.75	=	0.3125
Lunch	0.3750	X	1.00	=	0.3750
Snack	0.7500	X	0.50	=	0.3750
Supper	0.3750	X	1.00	=	0.3750

The Weighted Number of Meals Provided Allocation Method

Calculation of Ratios for Meals Served Only to Adults With Different Meal Service

This allocation method is to be used when a central kitchen serves only adults.

A central kitchen provides meals to a DAHS and a Residential Care programs, which both serve only adults. The provider maintained meal counts on both programs.

DAHS	Meal Weight	Meal Count	*Weighted Meal Count
a.m.Snack	0.5	15,621	7,810.50
Lunch	1	15,608	15,608.00
p.m.Snack	0.5	14,527	<u>7,263.50</u>
Total weighted meals			30,682.00

RC	Meal Weight	Meal Count	*Weighted Meal Count
Bfast	0.75	7,851	5,888.25
Lunch	1	7,803	7,803.00
a.m.Snack	0.5	7,474	3,737.00
Supper	1	6,352	6,352.00
p.m.Snack	0.5	6,498	<u>3,249.00</u>
Total weighted meals			27,029.25

Allocation percentage based on the number of weighted meals count

	Weighted Meals Count	Percentage for Allocation
DAHS	30,682.00	53.16%
RC	<u>27,029.25</u>	<u>46.84%</u>
Total	57,711.25	100.00%

Allocated Shared Dietary Expenses

		DAHS	RC
Central kitchen costs to be allocated:		53.16%	46.84%
Raw food costs	\$94,934.70	\$50,467.29	\$44,467.41
Cook Salary	\$17,680.00	\$9,398.69	\$8,281.31
Assistant Salary	\$10,712.00	\$5,694.50	\$5,017.50
Building Rent	5,993.20	\$3,185.99	\$2,807.21
Building Insurance	\$1,020.26	\$542.37	\$477.89
Utilities	\$3,049.66	\$1,621.20	\$1,428.46
Pest Control	\$151.44	\$80.51	\$70.93
Equipment	\$55.30	\$29.40	\$25.90
Non-Food Supplies	<u>\$295.68</u>	<u>\$157.18</u>	<u>\$138.50</u>
Total Central kitchen costs to be allocated:	\$133,892.24	\$71,183.38	\$62,708.86

* Rounded to two decimal places

The Weighted Number of Meals Provided Allocation Method

Calculation of Ratios for Meals Served to Both Adults and Children

This allocation method is to be used when a central kitchen serves both children and adults.

A central kitchen provides meals to three different programs, a day care that serves children 3-5 years old, a program that serves to children 6-12 years old and an adult day care that serves only adults. The provider kept meal counts on each of the three programs, which will need to be converted to a weighted meal count.

MEAL COUNT

Program	3-5 yrs.old	6-12 yrs.old	Adult
Breakfast	5,200	3,900	0
Snack	0	0	7,800
Lunch	5,200	3,900	7,800
Snack	5,200	3,120	6,500
Supper	5,200	0	0

3-5 yrs.old

	Meal Weight	Meal Count	Weighted Meal *Count
Breakfast	0.5000	5,204	2,602.00
Snack	0.3750	0	0.00
Lunch	0.5625	5,200	2,925.00
Snack	0.3750	5,200	1,950.00
Supper	0.5625	5,200	2,925.00
Total			10,402.00

6-12 yrs.old

	Meal Weight	Meal Count	Weighted Meal *Count
Breakfast	0.6250	3,900	2,438.00
Snack	0.6250	0	0.00
Lunch	0.8125	3,900	3,168.75
Snack	0.6250	3,120	1,950.00
Supper	0.8125	0	0.00
Total			7,556.75

Adults

	Meal Weight	Meal Ct.	Weighted Meal *Count
Breakfast	0.75	0	0.00
Snack	0.5	7,800	3,900.00
Lunch	1	7,800	7,800.00
Snack	0.5	6,500	3,250.00
Supper	1	0	0.00
Total			14,950.00

* Rounded to two decimals places

Allocation percentage based on the number of weighted meals count

Program	Weighted Meal Count	Percentage for Allocation
3-5 yrs.old	10,402.00	31.61%
6-12 yrs.old	7,556.75	22.96%
Adults	<u>14,950.00</u>	<u>45.43%</u>
TOTAL	32,908.75	100.00%

Allocated Shared Dietary Expenses

	3-5 yrs. 31.61%	6-12 yrs. 22.96%	Adults 45.43%
Central kitchen costs to be allocated:			
Raw food costs	\$94,934.70	\$30,008.86	\$21,797.01
Cook Salary	\$17,680.00	\$5,588.65	\$4,059.33
Assistant Salary	\$10,712.00	\$3,386.06	\$2,459.48
Building Rent	5,993.20	\$1,894.45	\$1,376.04
Building Insurance	\$1,020.26	\$322.50	\$234.25
Utilities	\$3,049.66	\$964.00	\$700.20
Pest Control	\$151.44	\$47.87	\$34.77
Equipment	\$55.30	\$17.48	\$12.70
Non-Food Supplies	\$295.68	\$93.46	\$67.89
Total Central kitchen costs to be allocated:	<u>\$133,892.24</u>	<u>\$42,323.34</u>	<u>\$30,741.66</u>

Central Kitchen Allocation Methodology Guidelines

Section 1-Introduction

The actual cost of preparing each type of meal or snack must be determined, by completing a raw food cost survey and a meal preparation time study. The minimum period of time to be used for each of these must be the time it takes to complete a menu cycle. A menu cycle is defined as the period of time it takes to have the menu repeat, whether it is two weeks, a month, or some other period of time. If the menu or the menu cycle changes substantially (i.e., if child day care meals are different during the school year from the summer months), a new raw food cost survey and a new meal preparation time study are required to be completed.

Note that this example assumes that the noon meal for a DAHS client and an RC client is the same in content and portion size. If a particular meal requirement is not the same in content and/or portion size, as in the case of a DAHS client and a child day care client, the meals must be tracked separately.

Section 2-Determining Food Costs by the Completion of a Raw Food Cost Survey

(A) For the menu cycle period of time, track and direct charge raw food costs to each type of meal and snack prepared for each type of program or business entity. This should be done on a daily basis. Total the costs for each type of meal or snack for the menu cycle period of time. In this example, the menu cycle is from April 1, 20XX through April 30, 20XX.

	DAHS a.m. Snack	RC Breakfast	DAHS/RC Noon Meal	DAHS/RC p.m. Snack	RC Evening Meal	RC Evening Snack	Total Kitchen
Raw Food Costs *	\$445.90	\$1,549.10	\$6,001.36	\$351.20	\$2,499.03	\$303.91	\$11,150.50

(B) The raw food cost, for the menu cycle period of time, for each type of meal and snack is then used to calculate a percentage. Calculate the percentages by determining the ratio of the raw food costs for each type of meal and snack to the total raw food costs for all meals and snacks.

Percentage of Total	4.00%	13.89%	53.82%	3.15%	22.41%	2.73%	100.00%
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(C) Allocate total raw food costs for the provider's cost-reporting period to each type of meal and snack by the raw food cost percentages calculated above in (B). In this example, the total raw food costs for the cost-reporting period as reflected on the provider's trial balance are \$94,934.70.

Raw Food Costs for Reporting Period	\$3,797.39	\$13,186.43	\$51,093.85	\$2,990.44	\$21,274.87	\$2,591.72	\$94,934.70
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* These raw food costs should be supported by daily worksheet calculations which reflect the actual cost determined for each type of meal and/or snack. Raw food costs should be documented by food invoices and other supporting documentation.

Section 3-Determining Staff Costs by the Completion of a Meal Preparation Time Study

(A) For the menu cycle period of time, record the time spent by each staff person involved in the preparation of the meals and snacks by each type of meal and snack prepared. The timesheets should be kept in time increments of 30 minutes or less and should be kept on a daily basis during the menu cycle period of time. Total the time spent preparing each type of meal or snack for the menu cycle period of time. These totals should reflect the direct meal preparation time. Do not include in these totals the indirect time spent by staff (breaks, lunches, shopping, meetings, etc.); only include the direct meal preparation time. Total central kitchen staff salaries (direct and allocated) will be allocated based on the direct meal preparation time.

(B) For each staff person, use the time spent per meal and snack from (A) to calculate the percentage of the time spent on the preparation of each type of meal and snack. Calculate the percentages by determining the ratio of the time spent on each meal and snack to the total time spent on all meals and snacks.

(C) Multiply each staff person's total salary, payroll taxes, and benefits (PTB), as reflected in the provider's payroll records for the cost-reporting period, by the percentages calculated in (B) to each type of meal and snack.

	DAHS a.m. Snack	RC Breakfast	DAHS/RC Noon Meal	DAHS/RC p.m. Snack	RC Evening Meal	RC Evening Snack	Total Kitchen
Cook Hours**	20.50	19.25	40.00	10.75	39.25	10.50	140.25
Percentage of Hours	14.62%	13.73%	28.52%	7.66%	27.98%	7.49%	100.00%
Cook Salary, PTB for Cost-Reporting Period	\$2,584.82	\$2,427.46	\$5,042.34	\$1,354.29	\$4,946.86	\$1,324.23	\$17,680.00
Assistant Hours **	14.25	13.50	39.00	15.75	39.75	13.25	135.50
Percentage of Hours	10.52%	9.96%	28.78%	11.62%	29.34%	9.78%	100.00%
Assistant Salary, PTB for Cost-Reporting Period	\$1,126.90	\$1,066.92	\$3,082.91	\$1,244.74	\$3,142.90	\$1,047.63	\$10,712.00

Section 4 - Using Staff Hours to Determine Utilization

Total the hours collected during the menu cycle period of time for all staff by type of meal and snack. Calculate the percentage of the total time spent on the preparation of each type of meal and snack by determining the ratio of the time spent on each type of meal and snack to the total time spent on all meals and snacks during the period covered by the meal preparation time study.

Total Staff Hours	34.75	32.75	79.00	26.50	79.00	23.75	275.75
Percentage of Total Staff Hours	12.60%	11.88%	28.65%	9.61%	28.65%	8.61%	100.00%

** These amounts of time should be supported by daily timesheets which reflect the direct charge to each type of meal and/or snack.

Section 5 - Identifying Other Central Kitchen Costs

(A) For the provider's cost-reporting period, all central kitchen costs (other than food and staff costs) must be identified. These include, but are not limited to:

- Building costs, such as rent or depreciation, building insurance, utilities, maintenance, or mortgage interest. These building costs can be allocated to the central kitchen based on square footage.
- The cost/depreciation of kitchen equipment and appliances, such as refrigerators, stoves, etc.
- Costs of drivers and vehicles used to deliver the meals.
- Other related non-food costs such as kitchen supplies.

Central Kitchen Costs:

Building rent	\$5,993.20
Building insurance	\$1,020.26
Utilities	\$3,049.66
Pest Control	\$151.44
Equipment	\$55.30
<u>Non-Food Supplies</u>	<u>\$295.68</u>
Total Other Central Kitchen (CK) Costs	\$10,565.54

(B) The other central kitchen costs identified in (A) above will be allocated to each type of meal and snack based on staff utilization (i.e., based on staff hours).

Apply the percentages which were calculated Section 2 to the other central kitchen costs identified above to allocate them to each type of meal and snack.

	DAHS a.m. Snack	RC Breakfast	DAHS/RC Noon Meal	DAHS/RC p.m. Snack	RC Evening Meal	RC Evening Snack	Total Kitchen
Percentage of Total Hours	12.60%	11.88%	28.65%	9.61%	28.65%	8.61%	100.00%
Other Central Kitchen Costs	\$1,331.25	\$1,255.19	\$3,027.03	\$1,015.35	\$3,027.03	\$909.69	\$10,565.54

Section 6 - Determining Cost Per Meal and Allocated Central Kitchen Costs

(A) Sum all costs of providing meals as calculated in Sections 2-5.

	DAHS a.m. Snack	RC Breakfast	DAHS/RC Noon Meal	DAHS/RC p.m. Snack	RC Evening Meal	RC Evening Snack	Total Kitchen
Raw Food Costs (Section 1)	\$3,797.39	\$13,186.43	\$51,093.85	\$2,990.44	\$21,274.87	\$2,591.72	\$94,934.70
Cook Salary (Section 3)	\$2,584.82	\$2,427.46	\$5,042.34	\$1,354.29	\$4,946.86	\$1,324.23	\$17,680.00
Assistant Salary (Section 3)	\$1,126.90	\$1,066.92	\$3,082.91	\$1,244.74	\$3,142.90	\$1,047.63	\$10,712.00
Other Central Kitchen Costs (Section 5)	\$1,331.25	\$1,255.19	\$3,027.03	\$1,015.35	\$3,027.03	\$909.69	\$10,565.54
Total Central Kitchen Costs	\$8,840.36	\$17,936.00	\$62,246.13	\$6,604.82	\$32,391.66	\$5,873.27	\$133,892.24

(B) Divide the actual numbers of meals/snacks prepared during the cost-reporting period into the costs for each type of meal and snack as calculated in (A) above to determine an individual meal or snack cost.

Total Meals and Snacks***	15,621	7,851	23,411	22,001	6,352	6,498	81,734
Cost per Meal/Snack	\$0.5660	\$2.2845	\$2.6588	\$0.3002	\$5.0994	\$0.9039	

(C) The actual number of meals/snacks prepared for each contract during the cost-reporting period is multiplied by the cost per meal or snack calculated in (B) above. Those costs are totaled by contract.

Actual Number of Meals and Snacks Provided:

Adult Day Care (DAHS)	15,621		15,608	14,527			
Residential Care (RC)		7,851	7,803	7,474	6,352	6,498	
Total Central Kitchen Costs:							
Adult Day Care (DAHS)	\$8,841.49		\$41,498.55	\$4,361.01			\$54,701.05
Residential Care (RC)		\$17,935.61	\$20,746.62	\$2,243.69	\$32,391.39	\$5,873.54	\$79,190.85

DAHS Central Kitchen Costs: To be reported on DAHS Cost Report **\$54,701.00**

RC To be reported on RC Cost Report **\$79,191.00**

*** The number of meals and snacks provided should be supported by daily worksheets.

(D) Develop the allocation percentages (to two decimals places) based on each program's total costs to the total of all programs total costs:

<u>Shared Dietary Methodology Allocation Percentages:</u>	<u>Dietary Costs</u>	<u>Percentage</u>
Total DAHS	\$54,701.00	40.85%
Total RC	<u>\$79,191.00</u>	<u>59.15%</u>
Total all programs	\$133,892.00	100.00%

(E) Apply the allocation percentages developed in (D) above to all the central kitchen costs to allocate to the appropriate line item:

<u>Shared Dietary Expenses:</u>	<u>Amount</u>	<u>Allocated Shared Costs</u>	
		40.85%	59.15%
		<u>DAHS</u>	<u>RC</u>
Raw Food Costs	\$94,934.70	38,780.82	56,153.88
Cook Salary	\$17,680.00	7,222.28	10,457.72
Assistant Salary	\$10,712.00	4,375.85	6,336.15
Building rent	\$5,993.20	2,448.22	3,544.98
Building insurance	\$1,020.26	416.78	603.48
Utilities	\$3,049.66	1,245.79	1,803.87
Pest Control	\$151.44	61.86	89.58
Equipment	\$55.30	22.59	32.71
<u>Non-Food Supplies</u>	<u>\$295.68</u>	<u>120.79</u>	<u>174.89</u>
Totals	\$133,892.24	54,694.98	79,197.26

PROGRAM SPECIFIC COSTS

Item 147 (Staff Medical Supplies)

Costs of medical equipment and supplies are considered unallowable costs except for supplies related to the provision of DAHS services for which the department has contracted. This may include, but is not limited to, supplies and equipment considered necessary to perform client assessments, medication administration (i.e., medication cups, syringes for insulin injections), nursing treatment (such as stethoscopes, blood pressure cuffs and thermometers) and supplies necessary to meet Occupational Safety and Health Administration (OSHA) standards for health and safety and universal health and safety precautions. Expenses for Hepatitis B inoculation, Tuberculosis tests, and chest X-ray for direct-care staff incurred during this cost reporting period should be reported on this item.

Item 148 (Activity Supplies)

If cable television is subscribed to for the benefit of the clients, its cost should be reported in this item with other activity expenses.

Item 149 (Housekeeping Supplies)

Report housekeeping supplies such as cleaning supplies, garbage cans/bags, or toilet paper in this item.

Item 150 (Emergency Personal Care Expenses)

Report expenses for emergency client personal care items, such as diapers, in this item.

Item 151 (Travel, Training and Seminars - Non-Administrative Staff)

Report travel, training and seminar costs for Non-Administrative staff in this item, including the direct costs of transportation, meals, lodging, and registration fees. Please refer to instructions for line item 248 for specifics on travel costs (Refer to the Cost Determination Process Rules 1 TAC §355.103(b)(12) and §355.105(b)(2)(B)(vi)).

Item 152 (Other Program-Specific Costs)

Other expenses incurred to provide direct care might be costs to purchase uniforms for direct care staff.

Item 153 (Total Other Direct Care Costs)

Sum items 121, 123, 125, 127, 129, 131, 132, 134, 136, 138, 140, 142 and 143 through 152.

Items 154 through 159 are reserved for future use.

TRANSPORTATION COSTS

TRANSPORTATION COSTS

Note: If your facility has an affiliation, contract, or subcontract with the Medical Transportation Program, **DO NOT** report the costs associated with that affiliation, contract or subcontract on this cost report.

Restricted grants, gifts, and income from endowments from private sources used to purchase allowable program costs, such as vehicle, should not be deducted and offset from allowable costs prior to reporting on the cost report. Report the revenue on item 307 as Other Revenue. Report the expense in the appropriate category. Therefore, if a restricted grant from a private source was used to purchase a vehicle, the entire cost of the vehicle would be reflected on the depreciation schedule.

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 (TxDOT) 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 reported on the cost report as a depreciable asset.

Revenue received from participation in the Child and Adult Care Food Program (CACFP) with the Department of Agriculture should be reported on item 305 as revenue. Do not offset this revenue against related expenses. Refer to the instructions on pages 50-61 related to Food and Food Service Costs.

However, if the grant from TxDOT covered the entire cost of the vehicle, do not report the grant as revenue and do not report the cost of the vehicle as a depreciable asset.

Unrestricted grants, gifts, and income from endowments from private sources used to purchase allowable program items should not be offset by the contracted provider prior to reporting on the cost report. All unrestricted funds which are properly allocable to the cost report should be reported on the contracted provider's cost report as revenue, and the allowable costs to which the unrestricted funds were applied would be reported in the appropriate expense category.

Report transportation expenses related only to the delivery of DAHS services. If a vehicle is used for both personal and business use, vehicle logs must be maintained to document and remove the expenses related to the personal use. Refer to the Cost Determination Process Rules 1 TAC §355.105(b)(2)(B)(iii).

Item 160 (Lease/Rental or Contracted Transportation Services)

Report the cost of rental/lease or contracted transportation equipment. In the Explanation Box, report the name of the Lessor/Contractor. If it is a related party transaction, complete Schedule B, Section 1A and 3C. If vehicles are used for more than one program, or if the vehicle is used for personal use, detailed mileage logs must be maintained to document the date of the trip, time of day, driver, persons in the vehicle, trip mileage, purpose of trip and the programs that should receive a portion of the costs. Refer to Cost Determination Process Rules, 1 TAC §355.105(b)(2)(B)(iii).

Allowable transportation equipment includes passenger vehicles and light trucks normally used to transport clients, staff, or materials and supplies used by the contracted provider. For related party transactions, you must complete Schedule B.

If you contract with another business entity or company for transportation services, then report the expenses on item 160 and indicate the contractor's name on the line provided. If you use contracted services exclusively, you should not have depreciation, gasoline, maintenance, etc. expenses reported in items 161-164.

Refer to the Cost Determination Process Rules 1 TAC §355.103(b)(7) and §355.105(b)(2)(B)(iv) for information related to amortization and documentation of lease expenses for luxury vehicle transportation equipment.

Item 161 (Transportation Equipment Depreciation)

If the facility owns the vehicles, those vehicles may be depreciated and the expenses reported on Schedule A, item 6, and/or Schedule B, Section 4, item 6. Allowable transportation equipment includes passenger vehicles and light trucks normally used to transport clients, staff, or materials and supplies used by the contracted provider. The depreciated amount should be transferred from Schedule A and reported in item 161. No salvage value is required in the calculation of depreciation on vehicles. Minivans are considered passenger vehicles and have a 3-year estimated useful life. Refer to the Cost Determination Process Rules 1 TAC §355.103(b)(7)(C) and §355.105(b)(2)(B)(iii).

Item 162 (Gas, Oil, Repairs and Maintenance)

Report the applicable amount of automobile expenses related to this program. Personal use of vehicles must be documented and removed from the cost report. Refer to Cost Determination Process Rules, 1 TAC §355.103(b)(6). For cost-reporting purposes, repairs and maintenance are categorized as ordinary or extraordinary repairs. Ordinary repairs may be expensed. Extraordinary repairs costing \$1,000 (effective September 1, 2011, the amount changed to \$2,500) or more, with a useful life in excess of one year, must be capitalized and depreciated on Schedule A or Schedule B as appropriate and the allowable depreciation costs properly transferred (e.g., item 161 for Schedules A and B). Transportation equipment repairs and maintenance includes tune-ups, oil changes, cleaning, inspections, and replacement of parts due to normal wear and tear (such as tires, brakes, shocks, and exhaust components). Major vehicle repairs (such as engine and transmission overhaul and replacement) costing \$1,000 (effective September 1, 2011, the amount changed to \$2,500) or more, must be depreciated in item 161. If there are no transportation equipment repairs and maintenance costs reported in item 162, submit and cross-reference an explanation as to why there are no such costs to be reported on this cost report.

For details on depreciation, see the instructions for Schedule A.

Item 163 (Insurance for Vehicles)

Report the cost for insurance premiums for vehicles in this line item. Report only the portion of the insurance expense directly related to this contract. Refer to Cost Determination Process Rules, §355.103(b)(10) and §355.105(b)(2)(B)(iii).

Item 164 (Transportation Interest)

Report the interest from loans for vehicles used in the DAHS program in this item.

Item 165 (Allowable Losses Resulting from Involuntary Conversion of Assets)

Losses resulting from the involuntary conversion of transportation depreciable assets, which occurred due to condemnation, fire, theft or other casualty, are allowable in the year of the involuntary conversion, provided the assets are replaced. If the aggregate loss from involuntary conversion of assets exceeds \$5,000 in the reporting period, the excess greater than \$5,000 must be capitalized and the allowable portion for this reporting period should be reported in item 161 as Transportation Equipment -

Depreciation (attach detailed calculations of allowable losses). For detailed information on how to calculate the allowable loss from an involuntary conversion, refer to §355.103(7)(F) of the Cost Determination Process rules.

Item 166 (Other Transportation Expense)

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.

In the Explanation Box, provide an itemization of each category of expense and its associated dollar amount as noted in the “Provide a Description in the Explanation Box” section of the General Instructions.

Item 167 (DAHS Vehicles Used for Other Programs?)

If the response to this question is "YES", submit an allocation summary showing transportation cost allocations to DAHS and other programs based upon a mileage log that should be maintained for each vehicle that is shared with other programs in addition to the DAHS program. Since any allocation based upon a mileage log is a functional allocation method, you must mark item 37 “yes” and item 44 (functional) “yes” and in the Explanation Box, enter the attachment number of this functional allocation summary. At a minimum, mileage logs must include for each individual trip the date, the time of day (beginning and ending), driver, persons in the vehicle, trip mileage (beginning, ending, and total), purpose of the trip, and the allocation centers (the departments, programs, and/or business entities to which the trip costs should be allocated). Refer to §355.105 (b)(2) (B)(iii) of the Cost Determination Process rules. See Page 67 of these instructions for a mileage log example.

OFFSITE STORAGE OF DAHS VEHICLES FOR SECURITY REASONS OR FOR ROUTE EFFICIENCY MANAGEMENT

Program-specific rules for the DAHS program includes a specific rule regarding transportation costs [refer to 1 TAC §355.6907(h)(2)]. The rule states:

“...transportation costs if they are related to the services for which DADS has contracted. This includes the costs of garaging a vehicle that is primarily used to transport clients to and from the DAHS center. The vehicle may be garaged off-site of the center for security reasons or for route efficiency management. In these cases of off-site vehicle garaging, a mileage log is not required if the vehicle is not used for personal use and is solely used (100%) for the delivery of DAHS services.”

This rule only applies to those vehicles used to pickup clients from their homes, transport clients, or return clients to their homes, with “clients” referring to those people attending the DAHS program. If the off-site garage is a commercial garage/storage site, then no mileage log is required because the mileage to and from a commercial off-site garage/storage is considered business mileage.

If the offsite garage is an individual’s home, then the following guidelines must be followed.

1. If it is determined by the DAHS provider that it is a security risk to maintain the DAHS vehicles used for client transportation at the DAHS facility, then **all the vehicles** used to transport DAHS clients must be garaged off-site and not just selected vehicles.

If the vehicle is garaged off-site at an individual’s home for security reasons, no mileage log is required if the only personal usage of the vehicle is the mileage to/from the

individual's home to the DAHS facility. If an employee or other individual uses the vehicle for any unallowable personal usage, then a mileage log must be maintained to document the portion of the transportation costs that must be removed as unallowable personal usage.

2. If the vehicle is garaged off-site at an individual's home for route efficiency management, it should be garaged at the driver's home.

No mileage log is required if the only personal usage of the vehicle is the mileage to the driver's home from the DAHS facility or from the last DAHS client's residence or from the driver's home to the DAHS facility or to the first DAHS client's residence. If the driver, any other employee, or any individual uses the vehicle for any unallowable personal usage, then a mileage log must be maintained to document the portion of the transportation costs that must be removed as unallowable personal usage.

If the vehicle is used for unallowable personal usage and the required documentation is not maintained, all the transportation costs will be unallowable. Documentation includes: (1) daily mileage logs that have been maintained throughout the reporting period to document the removal of unallowable personal usage of company vehicles or (2) some other method for documenting allowable and unallowable mileage that has been approved in writing by the DAHS Rate Analyst.

Item 168 (DAHS Vehicles Used for Personal Use?)

If the response to this question is "YES", in the Explanation Box, note which vehicles were used for personal use, and the percentage of personal use. Again, submit an allocation summary showing the exclusion of the personal use costs associated with each vehicle used for DAHS and personal use. A mileage log should be kept for each vehicle used for personal use to properly document the amount to be excluded from the cost report. Refer to item 167 instructions for mileage log requirements.

Item 169 (Total Transportation Costs)

Sum Items 160 through 166. If you did not report any transportation costs in this section, you must submit and properly cross-reference a detailed explanation as to why no transportation costs were reported.

Items 170 through 179 reserved for future use.

FACILITY & OPERATIONS COSTS Sections

NOTES: The items on these two sections have been separately organized into Facility Costs section and Operations Costs section. This separation should assist those providers using the total-cost-less-facility-cost allocation method, since that allocation method requires the removal of facility costs (i.e., the cost categories listed in the Facility Costs section of the cost report) from total costs in order to allocate shared administrative costs (i.e., central office costs).

Each cost report **MUST** have building/facility costs reported in this cost area. Even if your building/facility costs are paid by/through your central office, the portion of the facility and operations costs directly related to your DAHS facility should be reported in the Facility and Operation Costs sections. The Facility and Operations Costs sections are intended for the reporting of facility and operations costs that directly support the DAHS contract for which the cost report is being prepared.

Facility and operations costs reported in these sections should only be those associated with the portion of the building used for direct care and the direct program administration of the DAHS facility. If certain portions of the building are shared with other business components (e.g., kitchen area, maintenance area, activities area, or administration area), only that portion of the facility and operations costs associated with the square footage of such shared areas that is allocable to the DAHS facility should be reported on this cost report on this page.

The allocated portion of central office (i.e., shared administration) building, equipment, utilities, and capital costs allocable to the DAHS contract for which the cost report is prepared must be reported in the Administration Cost Area as Central Office Overhead Expenses in items 257-272. If there are shared administrative (i.e., central office) functions allocated to this cost report in items 257-272, there should be shared administrative (i.e., central office) facility and operations costs allocated to this cost report in items 257-272.

See the instructions for Schedule A for definitions of buildings, building equipment, and departmental equipment.

FACILITY COSTS SECTION

Item 180 (Building/Facility Maintenance Staff–Paid Hours)

Report the total number of paid hours for the building/facility maintenance staff. In the case of full-time salaried staff who are not required to maintain time sheets, you may use 2,080 hours (40 hours x 52 weeks) per year for reporting purposes.

Item 181 (Building/Facility Maintenance Staff-Salaries and Wages)

Report salaries and wages for those DAHS building/facility maintenance staff actually employed by you and for whom you are required to make FICA contributions. Salaries and wages include overtime, cash bonuses and cash incentives paid from which payroll taxes are deducted.

If the maintenance staff receive meals as part of their compensation, the costs for these items should be included in the cost report within the appropriate cost area where the costs are incurred. (i.e., cost for meals for employees would be included in food costs).

Item 182 (Employee Benefits/Insurance-Building/Facility Maintenance Staff)

Report in this item the direct costed employer-paid health, life or disability insurance premiums, employer-paid retirement contributions or employer paid child day care for children of employees paid as employee benefits. Self-insurance paid claims should be properly allocated or direct costed in accordance with the Cost Determination Process Rules 1 TAC §355.103(b)(1)(A)(iii).

In the Explanation Box, give a description of the type of each benefit/insurance category and its associated amount comprising the total amount reported. Report office party costs and other employee relation costs as Administration costs.

Item 183 (Lease/Rental - Building/Facility)

Report DAHS facility lease/rental costs in this item. If the rental/lease is from a related party, also complete Schedule B (Sections 1A and 3A). Submit and cross-reference (to item 22) a copy of any related-party lease agreement in effect during the cost-reporting period.

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 deposit payments made for goodwill (i.e., extra consideration to Lessor and not applied to monthly lease payments) are not allowable costs. 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.

If a building, other than the DAHS facility building, is leased/rented for storage, maintenance, or other purpose, report that cost on item 184.

If item 22 has been marked "YES", there must be costs reported in this item or else you must attach and cross-reference an explanation as to why there are no lease costs reported in this cost report.

Item 184 (Lease/Rental – Building/Facility Equipment and Other))

Report the cost for rented/leased building equipment (see the instructions for Schedule A for the definition of building equipment). If the rental/lease is from a related party, complete Schedule B (Section 1A and Section 3A).

Report the rental/lease costs for other items related to the facility (such as storage buildings) in item 184. Rental/lease of departmental equipment, and other operational equipment should be reported in item 197. If the rental/lease is from a related party, complete Schedule B (Section 1A). *Revenue generated from the rental or lease of these items is to be reported as other income on Schedule K and offset by the direct cost.*

Item 185 (Insurance - Buildings, Contents and Grounds)

See 1 TAC §355.103(b)(10). Report the cost for insurance premiums for buildings, contents, and grounds, as indicated. Insurance costs for general liability/professional malpractice insurance are to be reported on item 243 or item 269 as appropriate; expenses for transportation equipment are to be reported on item 163; expenses for insurance for other operational items are to be reported on item 198. Costs 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).

Costs related to self-insurance are allowable on a claims-paid basis and are reported on a cash basis. 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). Contributions to self-insurance funds that do not represent payments based on current liabilities are unallowable costs. See also the DEFINITIONS section.

When a provider is self-insured or not fully insured by a purchased commercial insurance policy (i.e., the provider's coverage includes coinsurance provisions and/or deductibles), the amount of allowable insurance costs is subject to a cost ceiling. See 1 TAC §355.103(b)(10)(E).

If there are no costs reported in this item, submit and cross-reference to this item an explanation as to why there are no insurance costs to be reported on this cost report relating to the buildings, contents and grounds.

Items 186-187 (Interest Expense)

See 1 TAC §355.103(b)(8). Report in item 186 the interest expense accruing from the purchase of the facility (i.e., mortgage interest). If you are a nonprofit entity and issued bonds for the purchase of the facility, report the bond issuance costs in item 186. Report the interest expense from other notes/loans (i.e., purchase of building improvements, building renovations, and building equipment) in item 187. If the loans were made by a related party, complete Schedule B (either Section 2A or 2B, whichever is appropriate). Late payment fees and penalties are unallowable costs. Interest on working capital loans is reported on item 245 or item 266, whichever appropriate.

Interest on the purchase and repairs/maintenance of departmental equipment loans and other operational notes are reported in item 187.

If there is building depreciation reported in item 192 and there is no mortgage interest reported in this item, submit and cross-reference an explanation to this item as to why there is no mortgage interest expense reported.

The interest expense reported in item 187 must be offset by interest income and transferred from Schedule K. See the instructions for Schedule K for further details.

Item 188 (Tax - 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 the DAHS facility building for which the cost report is being prepared. Report ad valorem real estate taxes related to the central office building(s) in item 267.

Unallowable taxes include federal, state, and local income taxes, taxes levied on assets not related to the delivery of the DAHS contracted services, and tax penalties and interest. Tax expenses must be reported for the cost-reporting period only and reported on an accrual basis. 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.

Item 189 (Utilities - Electricity, Gas, Water, Wastewater and Garbage Disposal)

See 1 TAC §355.103(b)(5). Report the costs for electricity, gas, water, and wastewater associated with the DAHS facility in this item. Also report the cost for disposal of facility rubbish in this item. Telecommunications costs associated with the DAHS facility are reported in item 200. Utility costs associated with the central office are reported in item 271. Cable TV costs should be reported on item 148 as an activity supply expense. Report only net expenses, meaning gross expenses less purchase discounts, rebates, returns or allowances.

Item 190 (Maintenance and Repairs - Buildings, Building Equipment and Grounds)

See 1 TAC §355.103(b)(6). Report non-depreciable repairs and maintenance costs associated with buildings, building equipment and grounds in item 190.

For cost-reporting purposes, repairs and maintenance are categorized as ordinary or extraordinary repairs. Ordinary repairs should be expensed. Extraordinary repairs costing \$1,000 (effective September 1, 2011, the amount changed to \$2,500) or more, with a useful life in excess of one year, must be capitalized and depreciated on Schedule A or Schedule B as appropriate and the allowable depreciation costs transferred to item 192 (building depreciation), item 193 (building fixed equipment depreciation), item 194 (land improvements depreciation), item 205 (amortization - other), as appropriate. For details on depreciation (and definitions of the various depreciation cost categories) see the instructions for Schedule A.

Item 191 (Contract Services – Building/Facility/Operations)

See 1 TAC §355.103(b)(2)(C).

Facility contract services: Report expenses for contract services relating to building/grounds repairs and maintenance (including contracted janitorial services, contracted fire alarm inspections, contracted lawn services and contracted pest services) in this item.

Operations contract services: Report expenses for contract services for repairs and maintenance of departmental equipment in this item. For example, photocopier maintenance contract costs would be reported in this item.

In the Explanation Box, give a description of the types of contract services – building/facility/operations and the associated cost for each.

Items 192-195(Depreciation/Amortization Expenses)

See 1 TAC §355.103(b)(7) and 1 TAC §355.105(b)(2)(B)(xv). *These costs must be transferred from Schedules A and/or B as appropriate.* Beginning with the provider's fiscal year 2004, report the depreciation costs for property owned by the provider entity and improvements to owned, leased, or DAHS property that are valued at \$2,500 or more at the time of purchase and have a useful life in excess of one year. For purchases made prior to the provider's 2004 fiscal year, any property owned and any improvements to owned or leased property that costs \$1,000 or more and have a useful life in excess of one year, must be depreciated. Depreciation expenses must be calculated using the straight-line method of depreciation and must use specified salvage values and useful lives. For information on calculating depreciation and the definitions of the various depreciation/amortization cost categories, see the instructions for Schedule A.

Ordinary repairs should be expensed. An extraordinary repair that costs \$1,000 (effective September 1, 2011, this amount changed to \$2,500) or more must be depreciated. Any single purchase that costs \$2,500 or more must be depreciated. Use the Cost Determination Process Rules for estimated useful lives of buildings and transportation equipment. Use the American Hospital Association guidelines for

estimated useful lives of departmental equipment, leasehold improvements, land improvements and extraordinary repairs.

If item 22 has been marked "NO", there should be no leasehold improvements amortization reported in item 195. If item 22 has been marked "YES", there should be no reported costs for building depreciation (item 192), building fixed equipment (item 193), or land improvements depreciation (item 194). If mortgage interest is reported in item 186, there should be building depreciation reported in item 192.

Item 196 (Total Facility Costs)

Sum items 181 – 195.

OPERATIONS COSTS SECTION

Items 197 (Lease/Rental - Departmental Equipment)

Report the lease/rental costs of departmental equipment as indicated. Departmental equipment would include items such as kitchen appliances, telephone systems, pagers, facsimile (FAX) machines, photocopiers, and computers. If the rental/lease is from a related party, complete Schedule B (Section 1A and Section 3B).

Item 198 (Insurance - Other Operational Equipment)

See 1 TAC §355.103(b)(10). Report the cost for insurance premiums for departmental equipment and other operational assets/equipment in item 198. Insurance costs for general liability/professional malpractice are to be reported on item 243 or item 269 as appropriate; expenses for insurance of buildings, contents and grounds should be reported in item 185. Costs 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).

Costs related to self-insurance are allowable on a claims-paid basis and are reported on a cash basis. 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). Contributions to self-insurance funds that do not represent payments based on current liabilities are unallowable costs. See also the DEFINITIONS section.

When a provider is self-insured or not fully insured by a purchased commercial insurance policy (i.e., the provider's coverage includes coinsurance provisions and/or deductibles), the amount of allowable insurance costs is subject to a cost ceiling. See 1 TAC §355.103(b)(10)(E).

Items 199 (Tax - Personal Property Taxes and Other Operations Taxes)

See 1 TAC §355.103(b)(9). Report personal property taxes related to the contents of the DAHS facility in item 199 as well as those related to other operational taxes associated with the DAHS facility; while personal property taxes and other operational taxes associated with the central office building(s) are reported in item 271. Report the cost of ad valorem real estate taxes related to the DAHS building for which the cost report is being prepared in item 188. Ad valorem real estate taxes related to the central office building(s) should be reported in item 267. Texas corporate franchise taxes are reported in item 246 or item 268, whichever is appropriate.

Unallowable taxes include federal, state, and local income taxes, taxes levied on assets not related to the delivery of DAHS, and tax penalties and interest. Tax expenses must be reported for the cost-reporting

period only and reported on an accrual basis. 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.

Item 200 (Utilities - Telecommunications)

Telecommunications refers to the cost for telephone, pager, and facsimile service only and not the cost of purchasing, leasing, or maintaining the associated equipment. Report in this item telecommunications costs associated with the DAHS facility; while telecommunications costs associated with a central office should be reported in item 271. Cable TV costs should be reported on item 148 as an activity supply expense. Report only net expenses, meaning gross expenses less purchase discounts, rebates, returns or allowances. If there are no costs reported in this item, submit and cross-reference an explanation as to why there are no telecommunications costs to be reported on this cost report.

Item 201 (Maintenance and Repairs - Departmental Equipment)

Departmental equipment includes maintenance and repair of items such as kitchen appliances, telephone systems, pagers, FAX machines, administration photocopiers, computers and other office equipment. Report non-depreciable repairs and maintenance costs associated with departmental equipment in item 201.

For cost-reporting purposes, repairs and maintenance are categorized as ordinary or extraordinary repairs. Ordinary repairs should be expensed. Extraordinary repairs costing \$1,000 (effective September 1, 2011, this amount changed to \$2,500) or more, with a useful life in excess of one year, must be capitalized and depreciated on Schedule A or Schedule B as appropriate, and the allowable depreciation costs transferred to item 192 (building depreciation), item 193 (building fixed equipment depreciation), item 194 (land improvements depreciation), item 195 (leasehold improvements amortization), or item 205 (other amortization), as appropriate. For details on depreciation (and definitions of the various depreciation cost categories), see the instructions for Schedule A.

Item 202 (Maintenance – Other Supplies)

See 1 TAC §355.103(b)(6). Report maintenance supplies related to facility maintenance in item 202. Report maintenance supplies related to operations also in item 202.

Operational supplies include such items as non-depreciable equipment required to maintain and repair departmental equipment.

Item 203 (Other Building/Facility/ Operations Expenses)

Report other allowable facility and operations costs not properly classified by the expense categories for items 181 through 202, providing the requested detail as noted in the “Provide a Description in the Explanation Box” section of the General Instructions.

In the Explanation Box, give a description of the types of other building/facility/operations expenses and the associated cost for each.

Life insurance costs naming the lender as the beneficiary for the express purposes of paying off the loan should be reported as follows: in item 203 (Other Building/Facility/Operations Expenses) for life insurance required by a mortgage loan; in item 203 (Other Building/Facility/Operations Expenses) for life insurance required by an operations note; and in item 250 (Office Supplies/Other Administrative Expenses) or item 272 (Office Supplies/Other Central Office Expenses) for life insurance required by a working capital loan. Such life insurance should not be reported on an employee benefits/insurance item because the costs are not benefiting any employees.

Item 204 (Depreciation - Departmental Equipment)

See 1 TAC §355.103(b)(7). *These costs must be transferred from Schedules A and/or B as appropriate.* Non-depreciable equipment should be reported as supplies in items 201-202, as appropriate. Effective

for purchases made on or after the beginning date of the provider's 2004 fiscal year, non-depreciable equipment is equipment that costs less than \$2,500 or has a useful life of less than one year, whereas depreciable equipment is equipment that costs \$2,500 or more and has a useful life of more than one year. As well, purchases made before the provider's 2004 fiscal year that cost more than \$1,000 and have a useful life of more than one year must be depreciated. Depreciable equipment must be depreciated using Schedule A (Departmental Equipment section), and the allowable depreciation amount transferred to item 204 (Departmental Equipment Depreciation). Depreciation expenses must be calculated using the straight-line method of depreciation. For information on calculating depreciation see the instructions for Schedule A. Related-party purchases of depreciable equipment must be reported on Section 4 of Schedule B.

Item 205 (Other - Amortization)

Amortization expenses are to be calculated and transferred from Schedule A or Schedule B (Section 4) as appropriate. See the instructions for Schedule A for additional information. See 1 TAC §355.103(b)(17)(B) and (D). Other operations amortization includes organizational and startup costs. These costs must be amortized over a period of at least 60 consecutive months. Amortization of startup costs and organizational costs should be reported in item 205. Amortization expenses are to be calculated and transferred from Schedule A. See the instructions for Schedule A for additional information. See the DEFINITIONS section for STARTUP COSTS.

Item 206 (Total Operations Costs)

Sum items 197 – 205.

Item 207 (TOTAL Facility and Operations Costs)

Sums Items 196 and 206.

If no facility and operations costs were reported, in the Explanation Box, explain why no facility and operations costs were reported.

Item 208-224 are reserved for future use.

ADMINISTRATION COSTS

NOTE: If any of the salary and wage costs in this cost area resulted from a transaction with a related party, complete Schedule C. If any reported nonsalary administrative costs resulted from a transaction with a related party, complete Schedule B. See the DEFINITIONS section for the definition of related parties.

Items 225-250 of the Administration Costs section are intended to capture the administrative expenses associated with the direct program management of the contract itself. These are considered program administrative expenses and should be directly chargeable to the contract. There should be no allocated costs reported in items 225-250. Items 257-272 of the Administration Costs section are intended to capture the allocated portion of shared (i.e., central office) administrative costs. In other words, if documentation supports allowable legal fees directly related to the management of this contract, those legal fees should be reported in item 241. 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 item 263.

For a check of accuracy in reporting, divide the amount reported for salaries/wages by the reported paid hours to see if the resulting hourly wage is representative of the facility's average hourly wage for each type of staff.

ADMINISTRATION COSTS

Items 225 - 234 (Administrative Paid Hours and Salaries/Wages)

See 1 TAC §355.103(b)(1). Refer to the PERMANENT STAFF section of these instructions for information regarding the required allocation of salaries.

Report paid hours and associated salaries and wages including overtime, bonuses, and taxable fringe benefits (such as accrued/taken vacation, accrued/taken sick leave, and other allowances) earned by each type of administrative staff.

Payroll taxes for all administrative staff are to be reported on items 280 through 281.

If you do not report any Administrator/Director hours and salaries, in the Explanation Box, explain why no Administrator/Director salaries and hours are reported.

Items 235-239 (Employee Benefits/Insurance)

Report in each item the direct costed employer-paid health and/or disability insurance premiums, employer-paid retirement contributions, and employer-operated child day care for children for the specific type of employee. Report in each line item the direct costed or properly allocated employee health paid claims. Report in these items employee benefits not subject to payroll taxes for each type of administrative employee listed. Employee benefits, which are subject to payroll taxes, are to be reported as salaries and not as employee benefits. Do not report office party costs or other employee relations' costs in this item; such costs are employee relations' costs and should be reported in item 250. See 1 TAC §355.103(b)(1)(A)(iii), §355.103(b)(17)(A).

Report full salaries for related-party administrators, related-party assistant administrators and owners. HHSC OIG auditors will apply salary caps, if any, during the audit process.

If the owner functions in more than one area within the DAHS contract, then the owner's salary should be properly allocated or directly charged based on time sheets to those areas receiving the benefit of the owner's efforts. The properly allocated or directly charged portion of the owner's salary should be reported in items where the owner worked (i.e., direct care, cooking, activity).

If the owner provides services for more than the DAHS contract for which the cost report is being prepared, then the owner's salary should be allocated across all business components receiving the benefit of the owner's efforts and the allocated portion of the owner's salary should be reported in items 257 through 259.

For any expenses reported in items 235-239, in the Explanation Box, give a description of the types of employee benefits/insurance and the associated cost for each.

Item 240 (Fees - Management Contract)

See 1 TAC §355.103(b)(3) and §355.105(b)(2)(B)(xiii). If your facility has a management agreement with a nonrelated business entity to provide management services to the facility, report the fees incurred in this item and attach (and properly cross-reference) a copy of the management agreement signed by all interested parties. If an expense is reported in this item, item 24 must be marked "YES".

If you mark item 24 "YES", but do not report any expenses in item 240, in the Explanation Box, explain why no management contract expenses are reported.

If the contracted manager is a related party as defined in the DEFINITIONS section, complete Schedule B (Section 1B). Allowable management fees paid to related parties are limited to the 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 in items 257-272 as central office costs, must be properly reported by cost category in items 257-272 and must not be combined into one item.**

Item 241 (Fees - Professional Services/Consulting/Licenses and Permits/Other)

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 themselves are unallowable costs. [1 TAC §355.103(b)(2)(C)] and [1 TAC §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 contracted services. 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), all costs related to any litigation are unallowable costs except for the part of a workers' compensation litigation award or settlement that reimburses the injured employee for lost wages and medical bills. Expenses incurred because of imprudent business practices are unallowable.

Allowable expenses for workers' compensation administrative and legal expenses are to be reported in this item. The allowable portion of a litigation award or settlement related to workers' compensation claims should be reported in WORKERS' COMPENSATION, Item 291, (Paid Claims), 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 it should be reported as SALARIES AND WAGES. Allowable franchise fees should be reported in this item. Franchise fees are different from franchise taxes; see instructions for item 246. Franchise fees, which represent "goodwill" or other intangible services, are not allowable. The allowable portion of franchise fees include, but are not limited to, costs associated with consulting, training and accounting. [1 TAC §355.103(b)(9)].

See 1 TAC §355.103(b)(2)(C). Allowable professional consulting fees must be directly related to the activity of the provider only and directly or indirectly related to the provision of services.

Include fees for licenses and permits. Service fees charged by banks for maintenance of checking/saving accounts and check printing are to be reported in this item. "NSF" (insufficient fund) charges and other penalties are unallowable. Administrative fines and penalties are unallowable costs. License fees paid on behalf of an employee (e.g., Administrator license) are to be reported as an employee benefit on the appropriate line.

Report allowable administrative fees, other than those properly includable in this item. Report in this item service fees charged by banks for maintenance of checking/savings accounts and check printing charges. Do not report fees paid to members of your board of directors in this item; such fees are unallowable costs. NSF fees and late payment penalties are also unallowable costs.

In the Explanation Box, give a description of the types of other fees and the associated cost for each.

Report seminar/conference registration fees as training and seminar costs in the cost area where the salary of the employee attending the seminar/conference has been reported (e.g., administrative employees in item 248).

Item 242 (Contract Administrative Services)

See 1 TAC §355.102(b)(2)(C). Report costs incurred for contracted administrative services, such as clerical temporaries, printing services, copying services, courier delivery services. Report contract management services from an unrelated party on item 240 and related-party contracted management costs on the applicable items as central office costs in items 257-272.

Items 243 - 244 (Insurance Expenses)

See 1 TAC §355.103(b)(10). Report the cost for insurance premiums for general liability and professional malpractice insurance in the applicable items. Insurance costs for buildings, contents, and grounds are to be reported on item 185 for the DAHS facility and on item 270 for central office building, expenses for transportation equipment insurance are to be reported on item 163 for facility vehicles and on item 270 for central office vehicles, central office insurance expenses are to be reported on items 269 and 270, as appropriate.

Costs 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. If your policy periods do not coincide with your cost-reporting period, you must properly prorate the costs to report only those associated with the actual cost-reporting period.

Costs related to self-insurance are allowable on a claims-paid basis and are to be reported on a **cash basis**. 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). Contributions to self-insurance funds that do not represent payments based on current liabilities are unallowable costs.

When a provider is self-insured or not fully insured by a purchased commercial insurance policy (i.e., the provider's coverage includes coinsurance provisions and/or deductibles), the amount of allowable insurance costs are subject to a cost ceiling. See 1 TAC §355.103(b)(10)(E).

Item 245 (Interest on Working Capital)

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) net of any interest. Working capital interest expense must be reduced by certain types of interest income. See instructions for Schedule K. If loans were made by a related party, complete Schedule B (Section 2A or 2B).

Item 246 (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 you are a partnership (general, limited and limited liability), corporation or LLC (i.e., items 2 and/or 3 = 2, 3, 4, 5, or 6); if you are a partnership (general, limited and limited liability), corporate entity or LLC, and there are no costs reported in this item, attach and cross-reference an explanation as to why there are no such costs to be reported on this cost report. 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; see instructions for item 241. Franchise taxes associated with states other than Texas are unallowable costs.

Item 247 (Advertising)

See 1 TAC §355.103(b)(13). Advertising expenses for employee recruitment, 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 care are allowable costs. Other types of advertising, promotions, or public relations expenses are unallowable costs.

Items 248 (Travel, Training and Seminars for Administrative Staff)

See 1 TAC §355.103(b)(12) and §355.105(b)(2)(B)(vi). Report all allowable training/seminar and travel costs incurred for administrative staff in this item. Training and travel costs for other types of employees should be reported in the cost area in which the salary of the employee attending the training or traveling has been reported.

Training and Seminars - Include costs for training outside the facility. To be allowable, the training must be located within the state of Texas (unless it is not available in the state of Texas), be related directly or primarily the employee's job for the DAHS contract, be limited to the cost of registration fees, and meet criteria detailed in 1 TAC §355.103(b)(12) and §355.105(b)(2)(B)(vi).

Travel - To be allowable, the travel must be related directly and primarily to the employee's job for the DAHS contract, limited to the cost of transportation, meals, and lodging, and meet the other criteria detailed in 1 TAC §355.103(b)(12), §355.105(b)(2)(B)(vi). Include the cost of allowable employee mileage reimbursements.

The maximum for lodging per diem and meals per diem costs is 150% of the limits established by the Texas Legislature for non-exempt state employees.

Effective September 1, 2009, the General Appropriations Act, Senate Bill 1, Article IX, Section 5.06(c), 81st Legislature, Regular Session, requires state agencies to use the [General Services Administration \(GSA\)'s federal travel rates](#) to determine the maximum lodging and meals reimbursement rates. Tips and

alcoholic beverages are not allowable meal costs.

Therefore, for cost-reporting purposes, for travel expenses incurred on September 1, 2009 or later, the provider needs to go to the following website:

<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” drop-down box, remembering that federal fiscal years begin in October and end in September. For example, federal fiscal year 2013 began October 1, 2012 and will end September 30, 2013.

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 Diems for lodging (plus applicable city/local/state taxes and energy surcharges) and meals.

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.

The maximum allowable mileage reimbursement is as follows:

- 1/1/12 – 12/31/12 55.5 cents per mile
- 1/1/13 – 12/31/13 56.5 cents per mile

Items 249 (Dues –Association Dues/Other Dues/Subscriptions)

See 1 TAC §355.103(b)(11). Provide an itemization of each category of expense and its associated dollar amount as noted in the “Provide a Description in the Explanation Box” section of the General Instructions.

Association dues include dues for membership in professional associations directly and primarily concerned with the provision of DAHS contracted services.

Other Dues and Subscriptions - dues for membership in purchasing organizations or buying clubs are limited to the prorated amount representing purchases made for use in providing contracted services. Dues or contributions made to any type of civic, political, social, fraternal, or charitable organization are unallowable. Chamber of Commerce dues are unallowable. 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; report in this item subscriptions for administrative materials relating to the administration of a DAHS contract. Magazines and newspapers for use by clients should be reported as an activity services supply in item 148.

In the Explanation Box, give a description of the types of other dues and subscriptions and the associated cost for each.

Item 250 (Office Supplies/Other Administrative Expenses)

Office supplies refer to expendable supplies like pens, pencils, paper, notepads, folders, postage, printing, and printer ribbons. Beginning with the provider’s fiscal year 2004, include non-depreciable administrative office furniture and equipment that costs less than \$2,500 or has a useful life of less than

one year. For purchases made prior to the provider's 2004 fiscal year, office furniture and equipment that costs less than \$1,000 or has a useful life of less than one year should be reported in item 250.

For office furniture and equipment (other than related-party transactions), which costs \$2,500 or more and has a useful life of more than one year, calculate depreciation expenses using Schedule A (Departmental Equipment Section) and transfer the allowable depreciation amount from Schedule A to item 204 (Departmental Equipment Depreciation). Office furniture and equipment purchased from a related party must be reported on Schedule B (Sections 1A and 4) and the allowable expenses transferred to item 204. See instructions for Schedule A and Schedule B for additional information. Repairs and maintenance for administrative office equipment/furniture regardless of the cost of the equipment/furniture must be reported in item 201, unless the administrative office furniture/equipment is from the central office, in which case the repairs and maintenance costs would be reported in item 271.

Report other allowable administrative expenses for which a specific item was not provided. Include employee relations' costs (such as parties and service awards that meet the criteria stated in 1 TAC §355.103(b)(17)) and drug screening test costs performed on all employees. Provide an itemization by expense category and associated dollar amount as noted in the "Provide a Description in the Explanation Box" section of the General Instructions.

In the Explanation Box, give a description of the types of other administrative expenses and the associated cost for each.

Do not report NSF bank charges, late penalties, and below minimum balance charges in this item. Allowable routine bank service charges (such as check printing and monthly service fees) should be reported in item 241. Do not report bad debt expense in this item; bad debt expense is an unallowable cost and bad debt can only be reported as a reduction in revenue (see instructions for item 309).

Items 251 through 256 reserved for future use.

CENTRAL OFFICE EXPENSES

NOTES: See the DEFINITIONS section for CENTRAL OFFICE and CHAIN

Allowable central office costs include those costs necessary for the provision of DAHS 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. See 1 TAC §355.103(b)(4) for information on central office costs.

Items 225-250 are intended to capture the administrative expenses associated with the direct program management of the facility itself. Those costs are considered program administrative expenses and should be directly chargeable to the facility in items 225-250. Items 257-272 are intended to capture the allocated portion of shared (i.e., central office) administrative costs. In other words, if documentation supports allowable legal fees directly related to the management of the contract, those legal fees should be reported in item 241. 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 item 263. If an outside accountant prepared the cost report for this contract, the cost should be directly charged to item 241. If an outside accountant prepares monthly/quarterly financial statements for the parent company or sole member, the allocated portion of those costs applicable to the DAHS contract should be reported in item 263.

The one exception to reporting only directly costed items in items 225-250 is the facility administrator's salary, which must be reported in item 226 whether directly costed or properly allocated.

The central office page is self-contained, meaning that all allocated costs associated with the central office are reported on this one page (i.e., items 257-272) and should not be reported anywhere else on the cost report. This page contains allocated central office salaries (item 257) and their associated payroll taxes and workers' compensation costs (item 258) and associated employee benefits (item 259). This page also contains allocated central office facility and operations costs.

If item 3 reflects a type of ownership of "11" or higher, the reporting of central office costs is expected. If the type of ownership of your contracting entity is "11" or higher and you do not report any central office costs in items 257-272, submit and properly cross-reference an explanation as to why there are not central office costs reported. If you report controlling entities or a parent company, sole member, governmental body, or a related-party management company, the reporting of central office costs is expected. If you do not have any central office costs to report, attach and cross-reference an explanation as to why there are no central office costs to report.

Related-party management costs must be reported in items 257-272 in the various individual items for the appropriate cost categories. Related-party management costs cannot be combined and reported in one item.

If you report costs of staff and supplies as central office costs, you must report the building costs (e.g., depreciation/lease, building insurance, building maintenance, building interest, building utilities) and operations costs (e.g., departmental equipment costs) associated with the portion of staff salaries reported. If there are no central office facility and operations costs to report in items 257-272, attach and cross-reference an explanation as to why there are no central office facility and operations costs to report.

For information on allocation methods for multi-contract organizations see the COST ALLOCATION METHODS section, as well as the 2013 Cost Report Training materials.

If the central office leased or purchased facilities, equipment or supplies from a related party, complete Schedule B (Section 1A). See the DEFINITIONS section for RELATED PARTIES and RELATED-PARTY TRANSACTIONS.

Costs related to boards of directors are unallowable, with the exception of travel costs incurred to attend meetings of contracted provider's board of directors within limits and errors and omissions (liability) insurance for board members. See 1 TAC §355.103(b)(2)(E) and §355.103(b)(12)(B).

Items 257-259 (Salaries, Wages, Payroll Taxes, and Employee Benefits)

See 1 TAC §355.103(b) and §355.105(b)(2)(B)(xi-xii). Report the allocated amount of central office ADMINISTRATIVE salaries, wages, payroll taxes and taxable employee benefits.

Complete Schedule C for all owner-employees and other related-party employees. See the Definitions section OWNER and RELATED PARTIES.

If a central office employee also functions as a DAHS program employee, the portion of time spent as a DAHS program employee must be documented so that costs related to that portion of the employee's duties can be directly charged to the non-central office portion of the cost report.

In the Explanation Box, give a description of the types of employee benefits/insurance and the associated cost for each.

Items 260-263: Refer to instructions for similar items reportable in items 247, 248, 249 and 241.

Item 264 (Rental and Lease)

Report all central office rental and lease expenses on this line item, including office space, office departmental equipment, and vehicles. If leased from a related party, complete schedule B (Section 1A).

Item 265 (Depreciation and Amortization) - See instructions for items 192 through 195 and 204-205.

Item 266 (Interest) - See instructions for items 186, 187, and 245.

Item 267 (Ad Valorem Property Tax) - See instructions for item 188.

Item 268 (Texas Corporate Franchise Tax) - See instructions for item 246.

Items 269 - 270 (Insurance Expense) - See instructions for items 163, 185, 198, 243 and 244.

Item 271 (Operation and Maintenance) - See instructions for items 189-191 and 200-203.

Item 272 (Office Supplies/Other Central Office Expenses)

For office supplies see instructions for item 250.

Report all allowable central office overhead expenses not properly includable in items 257 through 271. Contracted central office administrative services should be reported in this item, including clerical temporaries, printing services, copying services, and courier delivery services. Provide an itemization of each category of expense and its associated amount as noted in the "Provide a Description in the Explanation Box" section of the General Instructions.

In the Explanation Box, give a description of the types of other central office expenses and the associated cost for each.

Item 273 (TOTAL Central Office Expenses)

Sum Items 257 through 272.

In the Explanation Box, describe the method used to allocate shared administrative costs.

Item 274 (TOTAL Administration Costs)

Sum Items 226, 228, 230, 232, 234, 235 through 250 **and** 273.

If you did not report any administrative costs, in the Explanation Box, explain why no administration expenses are reported.

Items 275 through 279 are reserved for future use.

NOTE: Describe the method used to allocate central office expenses in the explanation box for item 273. If necessary, submit additional pages (and properly cross-reference the attachment to item 273).

For information regarding adequate documentation of allocation methods, see 1 TAC §355.105(2)(B)(xiv), the COST ALLOCATION METHODS section of the General Instructions, and the 2013 Mandatory Cost Report Training materials. The allocation method(s) used must be disclosed in items 38 through 46 and the required allocation summary (ies) attached and properly cross-referenced.

PAYROLL TAXES AND WORKERS' COMPENSATION

PAYROLL TAXES AND EMPLOYEE BENEFITS

NOTES: For payroll taxes and employee benefits, report only the employer's expenses and not any amounts paid by the employees.

Report central office employee payroll taxes and benefits in the central office costs area in items 258 and 259 as appropriate.

If payroll taxes (i.e., FICA, Medicare, and state/federal unemployment) are allocated based upon percentage of salaries, you must disclose this functional allocation method in item 44. The use of percentage of salaries is not the salaries allocation method, since the salaries allocation method includes both salaries and contract labor.

Item 280 (FICA and Medicare)

See 1 TAC §355.103(9)(B) and §355.103(b)(1)(A)(ii). See also item 283.

Item 281 (State and Federal Unemployment)

Report both federal (FUTA) and Texas (TUCA) unemployment expenses. See also item 284. If this item is blank, attach and properly cross-reference an explanation as to why there are no unemployment costs reported.

Item 282 (Total Payroll Taxes)

Sum items 280-281.

Item 283 (Does item 280 equal 7.65% of total reported salaries (excluding central office salaries)?)

If the answer to this question is "NO", provide a detailed explanation in the explanation box. If additional space is required, attach (and properly cross-reference) the detailed explanation. The explanation should provide a reconciliation. Federal regulations mandate an employer FICA contribution of at least 6.20% and Medicare contributions of 1.45%. Reasons why your facility's FICA contributions might not equal 6.20% of payroll might include the facts that certain employee's salaries exceed the amount subject to FICA tax or certain employees participated in a cafeteria plan. One reason why your facility's Medicare contributions might not equal 1.45% of the payroll might be that certain employees participated in a cafeteria plan during the reporting period. The reconciliation explanation must be detailed, reporting the number of employees and the amount of salaries exceeding the FICA cap or reporting the number of employees participating in a cafeteria plan and the amount of salaries associated with those employees, with the resulting dollar amount of salaries subject to FICA being multiplied by 6.20%, the resulting dollar amount subject to Medicare contributions multiplied by 1.45%, and reconciled with the amount reported in item 280. Include as part of your reconciliation explanation a copy of your most recently submitted IRS Form 5500 (Schedule F; Fringe Benefit Plan Annual Information Return).

Item 284 (Are you required to pay quarterly taxes to the Texas Workforce Commission for unemployment coverage?)

If the answer to this question is "NO", item 281 should include any claims paid during the cost-reporting period and you must attach (and properly cross-reference) documentation from the Texas Workforce Commission that you are a Reimbursing Employer [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] or that you are exempt from the payment of unemployment coverage. If the answer is “YES”, amount of taxes paid should be reported in item 281. See 1 TAC §355.103(b)(1)(A)(ii) and 1 TAC §355.103(b)(9)(B).

Items 285 through 259 are reserved for future use.

WORKERS' COMPENSATION

See 1 TAC §355.103(b)(10) and 1 TAC §355.105(b)(2)(B)(ix). Workers' compensation costs refer to expenses associated with employee on-the-job injuries. Costs must be reported with amounts accrued for premiums, modifiers, and surcharges. Costs must be reported net of any refunds and discounts actually received or settlements paid during the same cost-reporting period. The premiums are accrued, while the refunds, discounts, or settlements are reported on a cash basis.

Costs associated with a provider's safety program for the reduction/prevention of employee injuries must be reported as administrative costs on items 241 or 263 as appropriate, or as training and seminar costs in the various cost areas, not as workers' compensation costs in items 290-293.

Allowable attorney's fees or other third party fees that apply to the administration of workers' compensation claims are to be reported on item 241 or 263 as appropriate. Litigation expenses related to workers' compensation lawsuits are not allowable costs.

Costs related to self-insurance are allowable on a claims-paid basis and are to be reported on a cash basis. 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). Contributions to self-insurance funds that do not represent payments based on current liabilities are unallowable costs.

When a provider is self-insured or not fully insured by a purchased commercial insurance policy (i.e., the provider's coverage includes coinsurance provisions and/or deductibles), the amount of allowable insurance costs are subject to a cost ceiling. See 1 TAC §355.103(b)(10)(E).

Item 290 (Insurance Premiums)

If your contracted provider, any of its controlling entities, or its parent company/sole member is a subscriber to the Workers' Compensation Act, report the WCI insurance premiums paid to your commercial insurance carrier. If the effective period of your WCI insurance policies does not correspond to your fiscal year, it will be necessary to prorate the premium costs from the two policy periods to accurately reflect the costs associated with the cost-reporting 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. Traditional WCI insurance policies are audited yearly by the Texas Workers' Compensation Commission and annual adjustments must be properly applied to the cost-reporting period on a cash basis.

If your facility, any of its controlling entities, or its parent company/sole member 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 your 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 item 291. If you do not provide total coverage, a cost ceiling is applied which may limit the costs allowable to be reported. See 1 TAC §355.103(b)(10)(B) and 1 TAC §355.105(b)(2)(B)(ix-x).

Item 291 (Paid Claims)

Report medical claims paid for employee on-the-job injuries. [1 TAC §355.103(b)(10)(B)]. If you were not a subscriber to the Workers' Compensation Act (i.e., traditional workers' compensation insurance policy), and you paid workers' compensation claims for employee on-the-job injuries, report the amount of claims paid in this item. 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 as SALARIES AND WAGES. 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 you maintained a separate banking account for the sole purpose of paying your workers' compensation claims for employee on-the-job injuries (i.e., a nonsubscriber risk reserve account), the contributions made to this banking account are not allowable. This type of arrangement requires that the contracted provider be responsible for payment of all its workers' compensation claims. This 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 and that ceiling may limit the costs that may be reported. [1 TAC §355.105(b)(2)(B)(ix)].

Item 292 (Texas Workers' Compensation Certified Self-Insurance)

If you have received a "*Certificate of Authority to Self-Insure*" from the Texas Workers' Compensation Commission (the program became effective January 1, 1993), report your costs on this item and attach (and properly cross-reference) a copy of your certificate. Allowable costs include costs incurred during the cost-reporting period, such as your nonrefundable initial application fee, self-insurance regulatory fee, Texas Workers' Compensation Commission (TWCC) maintenance tax, and the Texas Workers' Compensation Research Center (TWCRC) maintenance tax. The amount of your security deposit is not an allowable cost for cost-reporting purposes. This type of insurance arrangement is subject to a cost ceiling. See 1 TAC §355.105(b)(2)(B)(ix).

Item 293 (Contributions to a Special Risk Management Pool/Fund)

If you are a member of a special risk management pool/fund such as the Texas Council Risk Management Fund or the Texas Municipal League Intergovernmental Risk Pool, the contributions to this type of arrangement are allowable costs and are to be reported in this item. A risk management pool/fund is an insurance-type arrangement in which a third party administers a pool/fund of contributions, the amount of each member's contributions having been actuarially determined. In this type of arrangement, the pool/fund pays the claims for its members and each member's financial responsibility is limited to the amount of its annual pool/fund contributions. Report on a cash basis your actual fund/pool contributions

for the reporting period. If you received any refunds during the reporting period, the amount of the refunds should decrease the amount reported in this item.

This **does not** relate to being placed in a risk pool with your workers' compensation insurance policy (commercially purchased). Report those premium costs on item 290.

Item 294 (Total Workers' Compensation)

Sum items 290 through 293.

Items 295 through 299 reserved for future use.

STATEMENT OF REVENUES AND EXPENSES

REVENUE

Item 300 (DADS Clients)

Report revenues in this item associated with DAHS Title XIX and XX units of Service (item 63), excluding STAR+PLUS revenue. STAR+PLUS revenue is reported in line 303. Refer to Cost Determination Process Rules, 1 TAC §355.104.

Item 301 (Private and Other Clients)

Report revenue from private and other clients relating to the units of service reported in item 64. Also include on this item the amount of revenue that you should have collected from those clients (DADS or private) that you served, but who later decided not to participate in DAHS services, or for whom you know you will not be paid by DADS or any other funding source. This amount of revenue that you should have collected should also be reported on Item 309, Bad Debts and Charity or Courtesy Allowance.

Item 302 Reserved for future use.

Item 303 (STAR+PLUS)

Report revenue for **STAR+PLUS** clients relating to the units of service reported in item 66.

Item 304 Reserved for future use.

Item 305 (CACFP or U.S.D.A.)

Report revenue from the CACFP/USDA program. Participation in CACFP is mandatory. If you have no revenue to report, attach and properly cross-reference an explanation as to why no revenue was reported.

Item 306 (Interest Revenue)

Report interest revenue on this item. Offset any interest revenue with appropriate interest expense prior to reporting this item, as shown on Schedule K.

Item 307 (Other Revenue)

Report other types of revenue that may be received by the contracted provider (e.g., interest income, revenues received for meals provided to non-clients). **Complete Schedule K first** to offset these revenues against related expenses. If there are excess revenues over related expenses, report the excess revenue in this item.

Item 308 (TOTAL Reportable Revenue)

Sum Items 300 - 307.

Item 309 (Less Bad Debts and Charity or Courtesy Allowance)

Report in this item any reductions in revenue for the cost-reporting period due to charity or courtesy allowance (see DEFINITIONS section). Also report in this item as a reduction in revenue the value of services (i.e., units of service) provided to clients for which there was no, and will more than likely be no, payment received for those services. Do not report in this item bad debt for a prior period. The amount reported in this item should also be reported as revenue in item 301. **This item cannot be negative**; if there was a recovery of an uncollectible account from a prior period, that amount should not be reported on this cost report. Item 309 will be subtracted from item 308 to arrive at the Total Net Reportable Revenue in item 310. Bad debt is only allowable as a reduction in revenue (item 309) and is an unallowable expense for cost-reporting purposes.

Item 310 (TOTAL Net Reportable Revenue)

Report the net revenue amount you received after deducting the allowances, by subtracting Item 309 from 308.

ALLOWABLE EXPENSES

Items 311 through 317 (Costs)

For each cost listed, ACRES will automatically populate the fields with the total amounts listed in parenthesis.

Item 318 (TOTAL Reportable Operating Expenses)

ACRES automatically sum items 311 - 317.

Item 319 (TOTAL Net Revenue less TOTAL Allowable Operating Expenses)

Report net revenue less expenses by subtracting item 318 from item 310. ACRES calculate this amount.

Items 320 through 323 are reserved for future use

ANNUAL ATTENDANT COMPENSATION INFORMATION

Item 324 Only those providers who have participated in the Attendant Compensation Rate Enhancement Program for the **entire** cost reporting period, identified as the Reporting Period – Beginning Date (line item 8) and Reporting Period – Ending Date (line item 9), must complete items 326 thru 351. If you did not participate in the Rate Enhancement for the entire reporting period of this report, answer item 324 “No” and do not complete items 326 – 351.

Item 325 is reserved for future use.

Item 326 Does this contract request to aggregate all its DAHS contracts that participated in the Attendant Compensation Rate Enhancement for **this** ENTIRE reporting period (as reflected in items 8 and 9) for the purpose of determining compliance with spending requirements? If yes, complete Schedule E.

A separate cost report must be submitted for each contract participating in the aggregation. If the answer to item 326 is “yes,” all DAHS contracts participating in Attendant Compensation Rate Enhancement for this ENTIRE reporting period must be in the requested aggregation. To be able to request aggregation, the contracts must be commonly owned by the same entity, and the reports must have the same reporting period.

Item 327 (Group number: for Rate Analysis use only)

This item is reserved for HHSC use only. Please leave this item blank.

Attendant/Driver Payroll Taxes and Workers’ Compensation Information

For payroll taxes and employee benefits, report only the employer’s expenses and not any amounts paid by the employees.

The following may be direct costed or allocated using a functional method based upon percentage of salaries:

- FICA
- Medicare
- Unemployment (TUCA and FUTA)
- Workers’ Compensation Premiums
- Workers’ Compensation Paid Claims

For allocation of expenses, attach (and properly cross-reference to each applicable item): a detailed allocation summary showing 100% of your expenses by cost category, the numerator and denominator of the allocation calculation in words and in numbers, the resulting allocation percentage (with 2 decimal places), the application of the allocation percentage to each shared cost, the amount allocated to each contract/program/business entity and the cost report line item on which each allocated cost is reported on this cost report.

NOTE: Report below the payroll taxes and workers’ compensation expenses for attendants/drivers for this reporting period. The amounts reported below are also to be included in the total amount reported in items 282 and 294. No adjustment to reduce the payroll taxes and workers’ compensation expenses to remove attendant/driver payroll taxes and workers’ compensation expenses reported in items 280-281 and 290-293 should be made.

Item 328 (Payroll Taxes-FICA and Medicare)

Report both FICA and Medicare taxes for the attendant and driver salaries and wages reported on items 101 and 103 in item 328.

Item 329 (Does item 328 equal 7.65% of the sum of items 101 and 103?)

If the answer to this question in “NO”, provide a detailed explanation on the line provided. If additional space is required, attach (and properly cross-reference) the detailed explanation. The explanation should provide a reconciliation. Federal regulations mandate an employer FICA contribution at least 6.20% and Medicare contributions of 1.45%. Reasons why your facility’s FICA contributions might not equal 6.20% of the payroll or why your facility’s Medicare contributions might not equal 1.45% of the payroll might include the fact that certain employees participated in a cafeteria plan during the reporting period. The reconciliation explanation must be detailed, reporting the number of employees participating in a cafeteria plan and the amount of salaries associated with those employees, with the resulting dollar amount of salaries subject to FICA being multiplied by 6.20%, the resulting dollar amount subject to Medicare contributions and reconciled with the amount reported in item 328. Include as part of your reconciliation explanation a copy of your most recently submitted IRS Form 5500 (Schedule F; Fringe Benefit Plan Annual Information Return).

Item 330 (Payroll Taxes - State and Federal Unemployment)

Report both federal (FUTA) and state (TUCA) unemployment expenses for the attendants/drivers. If this item is blank, provide a detailed explanation in the space provided as to why no unemployment expenses are reported.

Item 331 (Workers' Compensation – Insurance Premiums)

If your contract, any of its controlling entities, or its parent company/sole member is a subscriber to the Workers' Compensation Act, report the WCI premiums paid to your commercial insurance carrier for attendants and drivers. 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).

If your contract, any of its controlling entities, or its parent company/sole member 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. Health insurance is not worker’s compensation and should be reported in item 104.

If your 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 paid claims (i.e., self-insurance) and must be reported in item 332.

Item 332 (Workers' Compensation - Paid Claims)

Report medical claims paid for employee on-the-job injuries for attendants and drivers. If you were not a subscriber to the Workers' Compensation Act (i.e., traditional workers' compensation insurance policy), and you paid workers' compensation claims for employee on-the-job injuries for the staff whose salaries and wages are reported in items 101 and/or 103, report the amount of claims paid in this item. If you maintained a separate banking account for the sole purpose of paying your workers' compensation claims for employee on-the-job injuries (i.e., a nonsubscriber risk reserve account), the contributions made to this banking account are not allowable.

Item 333 (Total Attendant/Driver Payroll Taxes and Workers' Compensation Costs)

Sum items 328 and 330 through 332.

IMPORTANT NOTE FOR PREPARERS: The date ranges below are larger than the reporting period of this report. The starting and/or ending date of this report can fall in the middle of a date range.

UNITS OF SERVICE PROVIDED (Covering the period 02/01/12 thru 08/31/12)

Item 334 (Units of Service - Title XIX and XX)

Report the units of service provided for the period covering 02/01/12 – 08/31/12 for those Title XIX and XX clients for whom you have received payment from DADS or for whom you expect to bill DADS and to receive payment, even though payment has not yet been received. Report the units of service for those Title XIX clients who participate in the Community Based Alternatives (CBA) Waiver.

Item 335 (Units of Service – Private and Other)

Report the total number of units of service provided for the period covering 02/01/12 – 08/31/12 for private clients and other clients who are not respite or Title XIX or XX regardless of whether they can be billed to or will ever be paid by any other funding source. **Report your private client units of service in the same manner as the DADS units of service, which may require conversion of private client units to the DADS unit of service definition.**

Report the units of service provided in this reporting period for any type of clients that you served who later decided they did not want to participate in DAHS services. You must report these units of service even if you know you will not be paid for serving the client.

Report the units of service provided in this reporting period for DADS Title XIX or XX clients whom you served prior to their eligibility determination, even if you do not expect to be paid for the services provided during that time.

Item 336 Reserved for Future Use

Item 337 (STAR+PLUS)

Report the total number of units of service provided for the period covering 02/01/12 – 08/31/12 for those clients for whom you provided services under a STAR+PLUS contract. The costs related to providing DAHS services to STAR+PLUS clients should be reported in the appropriate cost report line items along with the costs related to providing DAHS services to DADS clients. Report only the costs of providing services that are covered under the description of DAHS services. Do not include on the cost report the costs or revenues associated with providing additional services, even if they were provided to a DAHS client.

Item 338 Reserved for future use

Item 339 (Total Units of Service)

Sum items 334 – 337.

UNITS OF SERVICE PROVIDED (Covering the period 09/01/12 thru 08/31/13)

Item 340 (Units of Service - Title XIX and XX)

Report the units of service provided for the period covering 09/01/12 – 08/31/13 for those Title XIX and XX clients for whom you have received payment from DADS or for whom you expect to bill DADS and to receive payment, even though payment has not yet been received. Report the units of service for those Title XIX clients who participate in the Community Based Alternatives (CBA) Waiver.

Item 341 (Units of Service – Private and Other)

Report the total number of units of service provided for the period covering 09/01/12 – 08/31/13 for private clients and other clients who are not respite or Title XIX or XX regardless of whether they can be billed to or will ever be paid by any other funding source. **Report your private client units of service in the same manner as the DADS units of service, which may require conversion of private client units to the DADS unit of service definition.**

Report the units of service provided in this reporting period for any type of clients that you served who later decided they did not want to participate in DAHS services. You must report these units of service even if you know you will not be paid for serving the client.

Report the units of service provided in this reporting period for DADS Title XIX or XX clients whom you served prior to their eligibility determination, even if you do not expect to be paid for the services provided during that time.

Item 342 Reserved for Future Use

Item 343 (STAR+PLUS)

Report the total number of units of service provided for the period covering 09/01/12 – 08/31/13 for those clients for whom you provided services under a STAR+PLUS contract. The costs related to providing DAHS services to STAR+PLUS clients should be reported in the appropriate cost report line items along with the costs related to providing DAHS services to DADS clients. Report only the costs of providing services that are covered under the description of DAHS services. Do not include on the cost report the costs or revenues associated with providing additional services, even if they were provided to a DAHS client.

Item 344 Reserved for future use

Item 345 (Total Units of Service)

Sum items 340 – 343.

UNITS OF SERVICE PROVIDED (Covering the period 09/01/13 thru 12/31/13)

Item 346 (Units of Service - Title XIX and XX)

Report the units of service provided for the period covering 09/01/13 – 12/31/13 for those Title XIX and XX clients for whom you have received payment from DADS or for whom you expect to bill DADS and to receive payment, even though payment has not yet been received. Report the units of service for those Title XIX clients who participate in the Community Based Alternatives (CBA) Waiver.

Item 347 (Units of Service – Private and Other)

Report the total number of units of service provided for the period covering 09/01/13 – 12/31/13 for private clients and other clients who are not respite or Title XIX or XX regardless of whether they can be billed to or will ever be paid by any other funding source. **Report your private client units of service in the same manner as the DADS units of service, which may require conversion of private client units to the DADS unit of service definition.**

Report the units of service provided in this reporting period for any type of clients that you served who later decided they did not want to participate in DAHS services. You must report these units of service even if you know you will not be paid for serving the client.

Report the units of service provided in this reporting period for DADS Title XIX or XX clients whom you served prior to their eligibility determination, even if you do not expect to be paid for the services provided during that time.

Item 348 Reserved for Future Use

Item 349 (STAR+PLUS)

Report the total number of units of service provided for the period covering 09/01/13 – 12/31/13 for those clients for whom you provided services under a STAR+PLUS contract. The costs related to providing DAHS services to STAR+PLUS clients should be reported in the appropriate cost report line items along with the costs related to providing DAHS services to DADS clients. Report only the costs of providing services that are covered under the description of DAHS services. Do not include on the cost report the costs or revenues associated with providing additional services, even if they were provided to a DAHS client.

Item 350 Reserved for Future Use

Item 351 (Total Units of Service)

Sum items 346 – 349.

Items 352-357 Reserved for Future Use

SCHEDULE A: DEPRECIATION AND AMORTIZATION

For cost-reporting purposes, property owned by the provider entity and improvements to owned, leased, or rented DAHS facility property that are valued at the amounts listed below with an estimated useful life or more than one year at the time of purchase must be depreciated.

<u>Providers's Fiscal Year</u>	<u>Amount</u>
Before 1997	\$ 500.00
1997 to 2003	\$1,000.00
2004 and after	\$2,500.00

Any single item purchased during the fiscal year costing less than amounts stipulated above, must be expensed and reported as supplies in the applicable cost area. Depreciation for depreciable items, other than related-party transactions, must be calculated using Schedule A and then transferred to the appropriate line items of the cost report. *See 1 TAC §355.103(b)(7) for detailed information on special requirements relating to depreciation and amortization for Medicaid cost-reporting purposes.*

For related-party depreciable items, refer to the instructions for Schedule B.

NOTES: Allowable depreciation expense includes only pure straight-line depreciation. No accelerated or additional first-year depreciation is allowable.

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

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

It is acceptable to attach a detailed depreciation printout and cross-reference it to Schedule A if the following requirements are met: 1) the attachment must list each item individually, 2) the attachment must list items by proper classification (e.g., buildings, building equipment, departmental equipment, etc.), and 3) the attachment must include a description of the asset, the month/year placed in service, the years of useful life, the historical cost, salvage value (if applicable), depreciation basis, prior period accumulated depreciation and the depreciation for the reporting period.

It is vital that depreciable assets be properly classified since the DAHS payment rate determination methodology treats the various classifications of assets differently. The following definitions of various types of assets should be used to determine the correct classification of each asset.

DEFINITIONS

Depreciation: 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.

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%. It is important that, 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 improvements depreciation as leasehold improvements amortization. Allowable building and building improvements depreciation is to be reported on item 192.

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. Allowable building fixed equipment depreciation is to be reported on item 193.

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. It is recommended that each provider subdivide its departmental equipment in order to facilitate any multi-step allocations that may be required (e.g., kitchen departmental equipment, dining room departmental equipment, laundry departmental equipment, administration departmental equipment, etc.). Allowable departmental equipment depreciation is to be reported on item 204.

Transportation Equipment: equipment used for the transport of DAHS clients, staff or materials and supplies utilized by the provider in the provision of contracted care. Depreciation expenses for transportation equipment not generally suited or not commonly used to transport clients, 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. Allowable transportation equipment depreciation is to be reported on item 161.

Land Improvements: assets found on the land area contiguous to, and designed for serving, the DAHS facility 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 improvements depreciation as leasehold improvements depreciation. Allowable land improvements depreciation is to be reported on item 194.

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 in the provider's fiscal year 2004 and after, 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. All building equipment and land improvements purchased by a lessee in the provider's fiscal year 2003 and before, that are valued at \$1,000 or more at the time of purchase with an estimated useful life or 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. Allowable leasehold improvements amortization is to be reported on item 195.

Other Amortization: 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.** Allowable facility other amortization is to be reported on item 205.

This item also may include organizational and start-up costs. These costs must be amortized over a period of at least sixty months. 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, facility licensing, utilities, facility cleaning, and other preparations that are incurred before the first client (DADS or non-DADS) is provided services. 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 client care that are incurred after the first client is served, but before the contract effective date, are unallowable costs. **The amortization of goodwill is an unallowable cost.** Allowable operations other amortization is to be reported on item 205.

Central Office Depreciation: includes any depreciation related to the central office that is directly charged or properly allocated to the DAHS contract. A single central office depreciation schedule may be completed for all contracts within a chain, if a copy is attached to each contract's cost report. This copy must show the percentage of depreciation allocated to the contract for which the cost report is being completed and cross-reference the appropriate allocation summary. Central office costs allocated to a contract must reflect the cost to the central office; do not report any "markup" between the central office and the contract. Such a "markup" is an unallowable cost for cost-reporting purposes. It is recommended that providers subdivide their central office depreciation into building and building improvements, building fixed equipment, departmental equipment, transportation equipment, land improvements, etc. Allowable central office depreciation is to be reported on item 265.

COMPLETION OF COLUMNS A THROUGH H

COLUMN A (Description of Asset) - describe each individual asset (e.g., building, furnace, Pentium computer, van, etc.) Do not combine items under generic descriptions such as "various", "furniture", "additions" or "equipment". Do not combine items by year purchased (e.g., "2011 furniture", "2012 furniture", etc.). Be specific in providing the description of each depreciable item. Attach and properly cross-reference additional pages if necessary.

COLUMN B (Month/Year Placed in Service) - enter the month and year the asset was placed into service. Do not use "various".

COLUMN C (Years of Useful Life) - enter the estimated useful life of the asset. DADS/HHSC requires the following estimated useful lives to be used at a minimum:

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

All Other Assets

Minimum useful lives must be consistent with "Estimated Useful Lives of Depreciable Hospital Assets", published by the American Hospital Association (AHA) (Item Number - 061170). Copies of this publication may be obtained by contacting American Hospital Publishing, Inc., Phone: 800-242-2626; Fax: 866-516-5817, Mailing Address: AHA Services Inc., P.O. Box 933283, Atlanta, GA 31193-3283.

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 placed in service prior to the 2008 fiscal year should follow the guide in effect at the time or the 2004 guide. For assets placed in service prior to your 2004 fiscal year, use the 1998 guide.

<u>Asset</u>	<u>Years</u>	<u>Asset</u>	<u>Years</u>
AC System - 5 tons or more	10	AC System - Under 5 tons	5
Bath - Whirlpool	10	Bed - Electric	12
Bed - Manual	15	Beepers - Paging	3
Bench - Metal or Wood	15	Bookcase - Metal or Wood	20
Cabinet	15	Camera - Video Tape	5
Cart	10	Chair - Geriatric	10
Chair - Guest.....	15	Chair - Shower/Bath.....	10
Chart Rack	20	Computer - Laptop.....	3
Computer - Personal	3	Computer - Printer.....	5
Computer - Software	3	Cooler - Walk-In.....	15
Curtains and Drapes.....	5	Desk - Metal or Wood.....	20
Dishwasher	10	Dresser	15
Dryer - Clothes	10	Fax Machine	3
Fencing - Brick or Stone.....	25	Fencing - Chain Link	15
Fencing - Wood	8	Files - Regular.....	15
Flooring - Carpet	5	Flooring - Ceramic.....	20
Flooring - Vinyl.....	10	Food Service Furniture	15
Guard Rails	15	Housekeeping Furniture.....	15
Intercom System	10	Landscaping.....	10
Lawn and Patio Furniture	5	Oxygen Tank, Motor, and Truck	8
Parking Lot Striping	2	Paving - Asphalt.....	8
Paving - Concrete	5	Photocopier - Large	5
Photocopier - Small	3	Pump - Infusion	10
Railings - Handrails (interior).....	15	Refrigerator - Commercial.....	10
Scale	10	Shrubs and Lawns.....	5
Sofa.....	12	Table - Wood	15
Telephone System.....	10	Typewriter	5
Television.....	5	VCR	5
Washing Machine - Linen, Large	15	Wheelchair	5

COLUMN D (Historical Cost) - Enter the cost of acquiring the asset and preparing it for use. Do not include goodwill. For buildings, do not include the cost of the land (land is not a depreciable item).

COLUMN E (Salvage Value) - Enter 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 cost-reporting purposes. No other salvage values are required.

COLUMN F (Depreciation Basis) - The depreciation basis is the total amount an asset can be depreciated over its useful life. Enter the historical cost (Column D) minus any salvage value (Column E).

COLUMN G (Prior Period Accumulated Depreciation) - Enter the total amount of straight-line depreciation from prior reporting periods.

COLUMN H (Depreciation for the Reporting Period) - The allowable amount of depreciation for the reporting period is calculated by dividing the Depreciation Basis (Column F) by the years of useful life (Column C) if the asset was in service for the entire reporting period. The allowable amount of depreciation will be less if, during the reporting period, the asset became fully depreciated or the asset was placed into or taken out of service. Fully depreciated means that the total accumulated depreciation (Column G) for the asset is equivalent to the depreciation basis (Column F). For cost-reporting purposes, the provider is to claim a full month of depreciation for the month the asset was placed into service, no matter what day of the month it occurred. Conversely, the provider is not to claim depreciation for the month the asset was taken out of service, no matter what day of the month it occurred. For example, if your fiscal year began in January 2013 and ended in December 2013 and you purchased a depreciable item in September 2013, you would claim four months of depreciation on your 2013 cost report for that item (September, October, November and December). If you sold an item in March of 2013, you would claim two months of depreciation for that item (January and February).

SCHEDULE B: RELATED-PARTY TRANSACTIONS

See 1 TAC §355.102(i) for specific details and requirements on related-party transactions.

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 related-party transactions on Schedule B. In addition, purchases made by the central office for services, facilities, and supplies from a related party must be reported on Schedule B. 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). This exception does not apply to related-party management costs; these costs must be reported on Schedule B.

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 they were incurred by the contracted provider itself. Therefore, if a cost would be unallowable if incurred by the contracted provider itself, it would be similarly unallowable to the related organization.

See the DEFINITIONS section for definitions of related parties 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 on 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 such services, equipment, facilities, leases, or supplies are allowable costs. **The contracted provider must submit documentation either prior to or upon submission of the cost to demonstrate that all of the following criteria have been met:**

- The supplying organization is a bona fide separate organization.
- A majority of the supplying organization's business activity is transacted with other organizations not related to the contracted provider and the supplier by common ownership or control and there is an open, competitive market for the type of services, equipment, facilities, leases, or supplies furnished by the organization.
- 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 client care ordinarily furnished directly to clients by such entities.
- The charge to the contracted provider is in line with the open, competitive market and no more than the charge made under comparable circumstances to others by the organization for such services, equipment, facilities, leases or supplies.

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 you desire that HHSC Rate Analysis accept that determination, you 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 Rate Analysis 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.

SECTION 1A. PURCHASES AND LEASES FROM A RELATED PARTY

Section 1A should be completed if any of the following are true.

- Supplies or nondepreciable equipment were purchased or leased from a related party during the cost-reporting period.
- Facilities were leased from a related party. Complete Sections 1A and 3A, and attach a properly cross-referenced copy of the related-party lease signed by all applicable parties. The lease should include all pages and attachments.
- Vehicles were leased from a related party. Complete Sections 1A and 3C.
- Facilities or other depreciable items were purchased from a related party. Complete Sections 1A and 4 and attach a properly cross-referenced copy of the related-party sales contract signed by all applicable parties. The sales contract should include all pages and attachments.
- Services were purchased from a related organization. If services were purchased from a related individual such as an individual owner, partner or stockholder, see Section 1B.

COMPLETION OF COLUMNS A THROUGH F

Column A (Name of Related Party/Organization) - Enter the name of the related party or organization. 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. Refer to the DEFINITIONS section of the SPECIFIC INSTRUCTIONS for information regarding related parties.

Column B (Percentage of Ownership) - Enter the percent of the contracted provider owned by the related party. For example, if the contracted provider is a 50-50 partnership and the related party in Column A was one of the partners, the percentage of common ownership would be 50%. If the contracted provider is one "branch" of a central corporation and the related party in Column A was the central office, the percentage of common ownership would be 100%. If the contracted provider is a corporation and the related party in Column A was a stockholder with 2% of the stock, then the percentage of common ownership would be 2%.

The percentage of common ownership may be 0% if the related-party is deemed related due to control (including being a member of the contracted provider's Board of Directors) or the existence of an immediate family relationship (other than a spousal relationship in a community property state in which case the percentage of common ownership would be the same as the owner's/stockholder's). In situations where the percentage of common ownership is 0%, a properly cross-referenced attachment should explain how the individual meets the criteria as a related party.

Column C (Cost Report Line Number) - Enter the line number(s) on the cost report where the allowable cost (the amount determined in Column F) is reported. If the allowable cost is reported on more than one line item, attach and properly cross-reference documentation showing the cost reported on each line item. If the allowable cost was allocated between line items, the attachment should include the required allocation summary information.

Column D (Description of Purchased or Leased Items/Goods/Services) - Describe the items/goods/services purchased or leased from the related party. Examples include leased vehicle, leased building, purchased office supplies, purchased letterhead, leased copier, and contracted management services. Related-party lending/loan services are to be reported on Schedule B, Section 2A or 2B.

Column E (Cost to Provider) - This amount should be the exact cost incurred (and paid within the acceptable accrual period) by the contracted provider for the purchased/leased items or services.

Column F (Cost to Related Party/Organization) - This amount should be the exact cost to the related organization and should be the amount reported on the cost report (in the cost report line item(s) shown in Column C). If the related-party transaction is the lease of a building, the cost to the related party should be calculated in Section 3A of this schedule and transferred to this section (i.e., Section 1A). The cost of departmental equipment leased from related parties should be reported in Section 3B. For leased items other than buildings, the related party's costs should be shown in workpapers attached, and properly cross-referenced, to the cost report. The cost to the related party in this situation could include depreciation, interest, taxes, insurance, etc. If facilities or other depreciable items were purchased from a related party, the cost to the related party should be calculated in Section 4 of this schedule and transferred to this section.

SECTION 1B: SERVICES PURCHASED FROM RELATED INDIVIDUALS

Report in this section the purchase of services, such as accounting, legal and consulting services, from a related-party 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 section, but rather complete Schedule C.

COMPLETION OF COLUMNS A THROUGH F

Column A (Name of Related-Party Individual) - Enter the name of the person who is the related party. If the contracted provider is a proprietorship, the related party could be the individual owner. If the contracted provider is a partnership, the related party could be one of the (individual) partners. Only individuals should be listed in this column; services purchased from related organizations should be reported in Section 1A, not 1B.

Refer to the DEFINITIONS section of the SPECIFIC INSTRUCTIONS for information regarding related parties.

Column B (Percentage of Ownership) - Enter the percent of the contracted provider owned by the related individual. If the contracted provider is a 50-50 partnership and the related party in Column A was one of the partners, the percentage of common ownership would be 50%. If the contracted provider is a corporation and the related party in Column A was a stockholder with 4% of the stock, then the percentage of common ownership would be 4%.

The percentage of common ownership may be 0% if the related-party is deemed related due to control (including being a member of the contracted provider's Board of Directors) or the existence of an immediate family relationship (other than a spousal relationship in a community property state in which case the percentage of common ownership would be the same as the owner's/stockholder's). In situations where the percentage of common ownership is 0%, a properly cross-referenced attachment should explain how the individual meets the criteria as a related party.

Column C (Cost Report Line Number) - Enter the line number(s) on the cost report where the allowable cost (the amount determined in Column F) is reported. If the allowable cost is reported on more than one line item, attach and properly cross-reference documentation showing the cost reported on each line item. If the allowable cost was allocated between line items, the attachment should include the required allocation summary information.

Column D (Description of Service Performed) - Enter a description of the service performed. Examples include data processing services, legal services, accounting services, management consulting services, medical director, social worker, accountant, building maintenance, and lawn maintenance.

Column E (Total Hours Worked in Program) - Enter the total hours the related individual worked in the program during the entire cost-reporting period. Itemized invoices and/or timesheets should substantiate the amount reported in this column. Dividing the total compensation received from Column F by the total hours worked from Column E should result in the average compensation per hour for the services described in Column D. Related-party lending/loan services are to be reported on Schedule B, Section 2A or 2B.

Column F (Total Compensation Earned) - Enter the amount of compensation the related-party individual received during the reporting period for the services described in Column D. This amount should be included in the cost report line item indicated in Column C.

SECTION 2A: RELATED-PARTY LOANS FROM ORGANIZATIONS OR GROUPS OF INDIVIDUALS

Report in this section related-party loans from organizations or groups of individuals. Related-party loans from an individual should be reported in Section 2B. Interest on related-party loans is an allowable cost, but it 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>). Once there, click on 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.

COMPLETION OF COLUMNS A THROUGH F

COLUMN A (Name of Related Party) - Enter the name of the related organization or group of individuals. Refer to the DEFINITIONS section of the SPECIFIC INSTRUCTIONS for information regarding related parties.

COLUMN B (Percentage of Ownership) - Enter the percent of the contracted provider owned by the related organization or group of individuals. For example, if the contracted provider is one "branch" of a central corporation and the related organization in Column A was the central office, the percentage of common ownership would be 100%. If the contracted provider is a limited partnership and the related party in Column A was a second limited partnership made up of individuals owning a total of 5% of the contracted provider, then the percentage of common ownership would be 5%.

The percentage of common ownership may be 0% if the related organization or group of individuals is deemed related due to control (including being the contracted provider's Board of Directors) or the existence of an immediate family relationship other than a spousal relationship in a community property state. In situations where the percentage of common ownership is 0%, a properly cross-referenced attachment should explain how the individual meets the criteria as a related party.

COLUMN C (Cost Report Line Number) - Enter the line number(s) on the cost report where the allowable cost (the amount determined in Column F) is reported. If the allowable cost is reported on more than one line item, attach and properly cross-reference documentation showing the cost reported on each line item. If the allowable cost was allocated between line items, the attachment should include the required allocation summary information.

COLUMN D (Description of Goods or Services Paid for With Loan) - Enter a description of the goods or services paid for with the loan. Examples include the purchase of the building, the purchase of building equipment or departmental equipment, payroll, and consultants.

COLUMN E (Cost to Provider) - This amount should be the exact cost incurred during the cost-reporting period (and paid within the acceptable accrual period) by the contracted provider for the related-party loan.

COLUMN F (Allowable Related-Party Interest Cost) - Enter the interest that would have been charged during the reporting period had the interest rate on the related-party 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. Attach and properly cross-reference documentation supporting this figure. This documentation should include proof of the date the loan contract was finalized, the prevailing national average prime interest rate in effect at that time, and the amount of the loan.

SECTION 2B: RELATED-PARTY LOANS FROM AN INDIVIDUAL

Report in this section related-party loans from an individual. Related-party loans from an organization or group of individuals should be reported in Section 2A. Interest on related-party loans is an allowable cost, but it 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>). Once there, click on 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.

COMPLETION OF COLUMNS A THROUGH F

COLUMN A (Name of Related Party) - Enter the name of the related individual. Refer to the DEFINITIONS section of the SPECIFIC INSTRUCTIONS for information regarding related parties.

COLUMN B (Percentage of Ownership) - Enter the percent of the contracted provider owned by the related individual. If the contracted provider is a 50-50 partnership and the related party in Column A was one of the partners, the percentage of common ownership would be 50%. If the contracted provider is a corporation and the related party in Column A was a stockholder with 5% of the stock, then the percentage of common ownership would be 5%.

The percentage of common ownership may be 0% if the related-party is deemed related due to control (including being a member of the contracted provider's Board of Directors) or the existence of an immediate family relationship (other than a spousal relationship in a community property state in which case the percentage of common ownership would be the same as the owner's/stockholder's). In situations where the percentage of common ownership is 0%, a properly cross-referenced attachment should explain how the individual meets the criteria as a related party.

COLUMN C (Cost Report Line Number) - Enter the line number(s) on the cost report where the allowable cost (the amount determined in Column F) is reported. If the allowable cost is reported on more than one line item, attach and properly cross-reference documentation showing the cost reported on each line item. If the allowable cost was allocated between line items, the attachment should include the required allocation summary information.

COLUMN D (Description of Goods or Services Paid for With Loan) - Enter a description of the goods or services paid for with the loan. Examples include the purchase of the building, the purchase of building equipment or departmental equipment, payroll, and consultants.

COLUMN E (Cost to Provider) - This amount should be the exact cost incurred during the cost-reporting period (and paid within the acceptable accrual period) by the contracted provider for the related-party loan.

COLUMN F (Allowable Related-Party Interest Cost) - Enter the interest that would have been charged during the reporting period had the interest rate on the related-party 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. Attach and properly cross-reference documentation supporting this figure. This documentation should include proof of the date the loan contract was finalized, the prevailing national average prime interest rate in effect at that time, and the amount of the loan.

SECTION 3A: COST OF BUILDING LEASED TO RELATED PARTY

This section is used to calculate the **cost to the related party** for a building leased from that related party.

The subtotal (item 6) of item 4 plus item 5 is transferred to Column F, Section 1A of Schedule B, with a description of "Related-Party Facility Lease" entered in Column D. Then, that same amount is reported in item 183.

Any "Other Interest Expense" from item 7 is transferred to Column F, Section 1A of Schedule B, with a description of "Related-Party Facility Lease - Other Interest" entered in Column D. Then, that same amount is reported in item 187.

Any "Ad Valorem Property Taxes" accrued by the related-party lessor reported in item 8 is transferred to Column F, Section 1A of Schedule B, with a description of "Related-Party Facility Lease - Property Taxes" entered in Column D. Then, that same amount is reported in item 188.

Any "Property Insurance" accrued by the related-party lessor reported in item 9 is transferred to Column F, Section 1A of Schedule B, with a description of "Related-Party Facility Lease-Insurance entered in Column D. Then, that same amount is reported in item 185.

Any "Other Expenses" accrued by the related-party lessor reported in item 10 is transferred to Column F, Section 1A of Schedule B, with a description of "Related-Party Facility Lease-Other Expenses" entered in Column D. Then, that same amount is reported in item 203.

The total cost to the related-party lessor (item 11) is the sum of item 6 and item 7 through item 10. This total is not transferred to any other location within the cost report. The depreciation calculations used in this section should follow the detailed guidelines for depreciation provided in the instructions for Schedule A.

The cost to the related party should only include those costs that are the responsibility of the related-party lessor. For example, if the lessor were responsible for repairs and maintenance to the building, these costs would be included in the calculation of the cost to the related party. Similarly, if the lessor were responsible for the building insurance premiums, the cost of these premiums would be included in the calculation of the cost to the related party.

NOTE: If your building is leased from a related party, you must also attach and properly cross-reference a copy of your related-party lease signed by all applicable parties. The lease should include all pages and attachments.

SECTION 3B: COST OF DEPARTMENTAL EQUIPMENT LEASED TO A RELATED PARTY

See instructions for Section 3A.

SECTION 3C: COST OF TRANSPORTATION EQUIPMENT LEASED TO A RELATED PARTY

See instructions for Section 3A.

SECTION 4: RELATED PARTY PURCHASES - DEPRECIATION AND AMORTIZATION

This section is used to calculate the **cost to the related party** for items purchased from a related party which cost \$2,500 or more and have useful lives of more than one year (and items purchased prior to fiscal year 2004 with a value of \$1,000 or more; for items purchased prior to fiscal year 1997 with a value of \$500 or more). The total cost to the related party as reported in or allocated from Column H of this section is transferred to Column F, Section 1A. The depreciation calculations used in this section should follow the detailed guidelines for depreciation provided in the instructions for Schedule A. If the amount in Column H of this section should

be allocated across contracts/programs/business components, attach, and cross-reference, the appropriate allocation summary and transfer the properly allocated amount to Column F of Section 1A. For additional information about related-party purchases, see instructions for Schedule B, Section 1A.

NOTE: If your building was purchased from a related party, you must also submit and properly cross-reference a copy of the related-party sales contract signed by all applicable parties. The contract should include all pages and attachments.

SCHEDULE C: RELATED-PARTY COMPENSATION OF OWNER-EMPLOYEES AND OTHER RELATED-PARTY EMPLOYEES

This schedule must be completed by **every** contracted provider that has an owner-employee or other related-party employee regardless of whether the owner-employee or other related-party employee received **any compensation** for their services during the year.

For cost-reporting purposes, an employee who meets the definition of a related party or an owner who is a sole proprietor, a partner owning 5% or more of the partnership, or a corporate stockholder owning 5% or more of the outstanding stock of the contracted provider must report their compensation on a Schedule C. [These meet the definition of an "owner-employee".]

If no compensation was paid, received, or properly accrued during the reporting period for an owner-employee or a related-party employee, complete items 1 - 10 and indicate "None" or "N/A" in the remaining items. Be sure to clearly explain in item 10 why no compensation is being reported.

An organizational chart must be attached to the Schedule C indicating the owner-employee's or the related-party employee's name and position within the organization. When organizational structures are composed of several corporations and the owner-employee and/or other related-party employee is associated with more than one of the corporations, it is necessary to submit at least two organizational charts: one picturing the entire organizational structure of various corporations and one detailing the organizational structure of the corporation providing the services covered by the specific cost report.

Allowable Compensation (see 1 TAC §355.103(b)(2))

Allowable compensation for an owner-employee or other related-party employee is governed by the principles that the services rendered are necessary functions, that the compensation is for the reasonable value of services rendered, that the compensation is not based on profitability, and that the services performed do not duplicate those performed by another employee of the DAHS contract.

A function is deemed necessary when, if the owner or related party had not performed said function, the DAHS contracted provider would have had to employ another person to perform that function. To be necessary, a function must pertain to direct or indirect activities in the provision or supervision of contracted services. The fact that an owner may have potential supervisory and managerial authority and responsibility is not as important as the manner in which this authority and responsibility is actually exercised. The right of the owner-administrator to overrule decisions does not solely constitute a basis for recognition of compensation comparable to non-owner administrators.

The test of reasonableness requires that the compensation of owner-employees and other related-party employees be such an amount as would ordinarily be paid for comparable services performed by non-owners or unrelated parties. Reasonable compensation is limited to the fair market value of services rendered by the owner-employee or other related-party employee in connection with contracted care. Education and experience of the owner are pertinent only as they relate to the job being performed and the services being rendered. For example, where an owner-administrator is also a physician, a nurse or a lawyer, but the services evaluated are administrative in nature rather than the actual practice of medicine, nursing or law, the allowable compensation is based on the compensation non-physician, non-nurse or non-lawyer administrators receive rather than on the rate physicians or nurses or lawyers receive for their specific professional services.

NOTE: Record all monetary amounts rounded to the nearest whole dollar (with no zeros included for cents).

PART 1 - COMPENSATION

Complete a separate Schedule C for **each employee** who meets the definition of an owner-employee or other related-party employee.

Item 1 (Name) - Indicate the name (Last Name, First Name, and Middle Name/Initial) of the owner-employee or the related-party employee.

Item 2 (Title) - Indicate the title of the owner-employee or other related-party employee. The title must correspond to the title indicated on the organizational chart attached to the cost report.

Item 3 (Type of Position) - Identify the type of position (e.g., management, administrative, direct care delivery, or supervisory) filled by the owner-employee or other related-party employee.

Item 4 (Location of Position Within Organizational Structure) - Indicate the location of the owner-employee's or other related-party employee's position within the organizational structure (i.e., facility, contracting entity, a controlling entity, or parent company/sole member/related-party management company). Item 4 should relate to the organizational chart(s) attached to the cost report.

Item 5 (Description of Duties) - Provide a description of the duties performed by the owner-employee or other related-party employee as they relate to the specific cost report. Or attach and properly cross-reference a copy of the person's written job description and provide a summary of how those duties relate to the specific cost report. See 1 TAC §355.105(b)(2)(B)(xi).

Item 6 (Relationship to Provider) - Indicate the owner-employee's or other related-party employee's relationship to the contracted provider. If the schedule is being completed for an owner-employee, indicate that the employee is an owner and describe the type of ownership (e.g., owner-sole proprietor; owner- % partner; owner- % stockholder). If the schedule is being completed for a related-party employee other than the owner, identify the relationship (e.g., wife of owner-sole proprietor; daughter-in-law of % partner; brother of % stockholder). If the schedule is being completed for a member of the Board of Directors (related through control), identify that fact in this item.

Item 7 (Percentage of Ownership) - If the schedule is being completed for an owner-employee, enter the percentage of ownership for that employee. If the schedule is being completed for a related-party employee who has no ownership interest, indicate "None" as the ownership percentage. If the schedule is being completed for a related-party employee who is the spouse of an owner in a community property state, indicate the same ownership percentage as the owner.

Item 8 (Total Compensation) - Report the total amount of compensation paid to (or properly accrued by) the owner-employee or other related-party employee during the cost-reporting period. See 1 TAC §355.103(b)(2)(A-B), §355.105(b)(2)(B)(xi).

Total compensation includes regular salary, overtime pay, bonuses, and any other forms of compensation subject to payroll taxes, as well as any accrued compensation which had not been paid to the employee at the end of this reporting period. (Note: Accrued expenses must be paid within 180 days after the end of the reporting period in order to be allowable for cost-reporting purposes.) If the specific program for which the cost report applies has a salary cap, **DO NOT APPLY THE CAP**; HHSC OIG audit staff will apply salary caps, if appropriate.

Total compensation should include compensation received from all business entities:

- Which provide similar services, regardless of the organizational structure;
- Which are organized under a single corporate "umbrella";
- Within which the employee provides long-term services, regardless of whether the business entity has a DADS contract (e.g., Medicare home health); and/or
- Which are contracted with the State of Texas.

For example, if a single corporation has a DAHS program, a Community Based Alternatives (CBA) program, a nursing facility, a Medicare home health agency contract, and a restaurant business, the compensation of the owner-employee would be allocated across all business entities under the single corporation. If an owner-employee has separate corporations operating similar programs, the total compensation of the owner-employee would be allocated across all similar programs (and thus across corporations). If an owner-employee has separate corporations which do not provide similar services, the compensation allocation would be across those programs which benefit from the services provided by the owner-employee. If the owner-employee is paid by two or more separate related entities or corporations, his or her total salary from all related entities must be combined prior to allocation. For purposes of this schedule, it does not matter which business entity actually wrote the check or from which account the compensation was paid. The intent is to distribute the salary across all business components/entities based on the level of effort or level of benefit to each separate business component/entity.

Item 9 (Number of Hours Worked) - Report the number of hours worked during the cost-reporting period by the employee in order to earn the total compensation reported in item 8. In other words, if item 8 were divided by item 9, the result would be the employee's average compensation per hour. If the employee is a full-time, salaried employee, the number of hours reported would be 2,080 (40 hours x 52 weeks) unless documented by daily timesheets to support hours in excess of this full-time equivalency.

Item 10 (Allocation Method) - If the services provided by this employee benefited more than the contract for which the cost report is being completed or if the employee's salary is reported on more than one line item on this cost report, the salary must be either directly charged or allocated to all benefiting business entities or line items. If the salary has been directly charged, you need to state this in item 10 and describe the basis upon which the compensation has been directly charged to this cost report or between line items. For example, you might state that the salary has been directly charged based upon daily timesheets, attach a copy of a completed timesheet, attach a copy of the written instructions applicable to the completion of the timesheet, report the total number of hours recorded by all timesheets during the cost-reporting period (the denominator), report the total number of hours directly chargeable to the specific cost report based upon the results of the daily timesheets (the numerator), and show the calculation of the percentage of compensation directly charged to this cost report (a percentage with two decimal places). Another option might be a time study. If the employee does different jobs for different facilities a multi-step allocation method may be required. For example if the employee is the administrator at one DAHS facility while providing ownership services to five facilities, timesheets could be used to allocate the employee's salary between his administrative and ownership duties. After this allocation is performed, units of service would be used to allocate the ownership portion of the employee's salary to the five facilities benefiting from his ownership services.

If the compensation is being allocated to this cost report or between line items, you must state the allocation basis (e.g., salaries, labor costs, cost-to-cost, total-costs-less-facility-costs, units of service, functional, timestudy) and, attach and properly cross-reference an allocation summary which includes, at a minimum, a

clear and understandable explanation of the numerator and denominator of the allocation ratio described in words and in numbers, along with the resulting percentage calculation to two decimal places.

NOTE: If compensation is allocated, you must also complete items 37 through 46 of the cost report.

PART 2 - ALLOCATION OF COMPENSATION

Item 11 (Breakdown of Total Compensation) - Provide a breakdown by business component of how the total allowable compensation reported in item 8 was allocated. See the DEFINITIONS section for BUSINESS COMPONENT.

The owner-employee or other related-party employee must report in item 11 the total compensation received from all business entities (components) which benefit from his/her effort or work. If the business component has a state of Texas vendor/provider number, report the number in the business component blank (e.g., DAHS #XXXXXXXXXX; CBA #XXXXXXXXXX; NF #XXXXXXXXXX; RC #XXXXXXXXXX; ERS #XXXXXXXX; DAHS #XXXXXXXXXX; RC #XXXXXXXXXX). If the business component does not have a state of Texas vendor/provider number, report the business component's name or a description of the business component (e.g., Medicare home health agency; MDCP program; CCP program; AAA Restaurant).

Compensation should be directly charged to each business entity based either on the level of effort involved in providing services to or working for the entity (and supported by daily timesheets or an acceptable timestudy) or allocated based upon an acceptable cost allocation method or a combination thereof. Square footage is not an acceptable method for allocating most salary costs.

Item 12 (% of Total Compensation) - Report the percentage of the total employee compensation from item 8 that has been directly charged or allocated to this cost report. Report the percentage with two decimal places (i.e., 33.33%).

Item 13 (% of Total Hours) - Report the percentage of the employee's total hours (item 9) directly charged or allocated to this cost report. Report the percentage with two decimal places. If the percentage of hours reported in item 13 is different from the percentage of compensation reported in item 12, please provide a detailed explanation for the variance. If additional pages are required, please cross-reference any attachments.

Item 14 (Cost Report Line Numbers) - Enter each cost report line number on which the salary directly charged or allocated to this cost report is reported. The explanation provided in item 10 should clearly explain how the amount was calculated for each cost report item number completed in item 14.

SCHEDULE E: AGGREGATION

As per Title 1 of the Texas Administrative Code §355.112(ee) in cases where a parent company, sole member, individual, limited partnership or group of limited partnerships controlled by the same general partner, controls more than one DAHS contract participating in the Attendant Compensation Rate Enhancement, you may request to have all of your participating contracts evaluated in the aggregate for compliance with spending requirements.

If you have more than one DAHS contract that are controlled by the same legal entity and are requesting to have your contracts completed in aggregate, then you must complete Schedule E. If you are completing the report for one contract, do not complete Schedule E.

List the 9-digit DAHS contract numbers for every contract you are requesting to aggregate. For each contract listed, the beginning and ending dates must be the same. If they are not, then you are not able to group these contracts. All participating contracts with the same beginning and ending date must be included in the aggregation.

If a contract was part of an organization requesting to have all of its participating DAHS contracts evaluated in aggregate for compliance with spending requirements and the contract has terminated or withdrawn participation, this contract will be excluded from any requested aggregation and evaluated as an individual.

SCHEDULE K: REVENUE OFFSET SUMMARY

If you received interest income/revenue during the cost-reporting period and also incurred interest expense for a working capital loan (i.e., an operating line-of-credit), the interest income/revenue must first be used to offset the interest expense on the working capital loan. If there is an excess of interest income after offsetting the working capital loan interest expense, then offset interest on other loans (e.g., vehicles, purchases, etc.). Do not offset mortgage interest on mortgage loans. If interest income/revenue exceeds interest expense, no allowable interest expense would be reported. Excess interest income/revenue should be reported on Item 306. Refer to Cost Determination Process Rules TAC §355.104(4).

Revenue Source - Record the source of revenue. An example would be interest revenue from working capital loans, beauty and barbershops, vending machines or meals sold to employees or guests.

Column A (Revenue Amount) - Report the total amount of revenue received from the revenue source.

Description of Expense - Describe the type of expense that is associated with the revenue source. This expense will be offset by the amount of revenue reported in Column A.

Column B (Amount of Expense) - Report the total amount of the expense associated with the Revenue Source. Routine expenses for operations relating to contracted services are allowable. Non-routine expenses are incurred for services that are not contracted, such as beauty and barbershops, vending machines, meals sold to employees or guests and are not allowable. Determine the non-routine expenses and report them in this column (these expenses should not be included in this cost report).

Column C (Excess Revenue or Expense) - Subtract the expense amount (Column B) from the revenue amount (Column A).

Column D (Cost Report Line Item on Which Excess in Column C is Reported) - Record the cost report line item within this cost report on which the excess revenue or excess allowable expense from Column C for routine expenses is reported. No cost report line item is necessary if excess non-routine expenses are reported in Column C, as these costs should not be reported in the cost report. Refer to Cost Determination Process Rules, 1 TAC §355.103(b)(15)(D).

CERTIFICATION PAGES

Certification pages must contain original signatures and original notary stamps/seals. If these pages are not properly completed, the cost report will not be processed until the provider makes the necessary corrections. If necessary corrections are not made in a timely manner, the cost report will be deemed unacceptable and notification sent to the provider for proper completion.

Multi-facility organizations may submit one cost report containing original signatures and notary stamps/seals. All other cost reports submitted by the multi-facility provider can be submitted with copies of the original certification pages. For multi-facility organizations that choose this option:

- the original certification pages *MUST* include a list of the 9-digit contract numbers of the cost reports being submitted with copies of the original certification pages; and
- the copies of the original certification pages *MUST* indicate the 9-digit contract number of the cost report being submitted with the original certification pages.

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 facility administrator 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 should 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.

METHODOLOGY CERTIFICATION

This page must be signed by the person identified on the cover page 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.

Note: Each person signing as preparer must have attended any required HHSC state-sponsored Mandatory Cost Report Training and valid completion certificates must be submitted with the cost report for each preparer or submit an online cost report preparer test completion certificate. If valid completion certificates are not attached, the cost report will not be processed until such time as the required certificates are provided. If the required certificates are not provided in a timely manner, the cost report will be deemed unacceptable.

Please note the addition of the paragraph below the “NOTE” box.

STATE OF TEXAS COUNTY CODES

<u>County Name/Code</u>	<u>County Name/Code</u>	<u>County Name/Code</u>	<u>County Name / Code</u>	<u>County Name / Code</u>
Anderson 001	Crockett 053	Hays 105	Mason 157	Shackelford 209
Andrews 002	Crosby 054	Hemphill 106	Matagorda 158	Shelby 210
Angelina 003	Culberson 055	Henderson 107	Maverick 159	Sherman 211
Aransas 004	Dallam 056	Hidalgo 108	McCulloch 160	Smith 212
Archer 005	Dallas 057	Hill 109	McLennan 161	Somervell 213
Armstrong 006	Dawson 058	Hockley 110	McMullen 162	Starr 214
Atascosa 007	Deaf Smith 059	Hood 111	Medina 163	Stephens 215
Austin 008	Delta 060	Hopkins 112	Menard 164	Sterling 216
Bailey 009	Denton 061	Houston 113	Midland 165	Stonewall 217
Bandera 010	DeWitt 062	Howard 114	Milam 166	Sutton 218
Bastrop 011	Dickens 063	Hudspeth 115	Mills 167	Swisher 219
Baylor 012	Dimmit 064	Hunt 116	Mitchell 168	Tarrant 220
Bee 013	Donley 065	Hutchinson 117	Montague 169	Taylor 221
Bell 014	Duval 066	Irion 118	Montgomery 170	Terrell 222
Bexar 015	Eastland 067	Jack 119	Moore 171	Terry 223
Blanco 016	Ector 068	Jackson 120	Morris 172	Throckmorton 224
Borden 017	Edwards 069	Jasper 121	Motley 173	Titus 225
Bosque 018	Ellis 070	Jeff Davis 122	Nacogdoches 174	Tom Green 226
Bowie 019	El Paso 071	Jefferson 123	Navarro 175	Travis 227
Brazoria 020	Erath 072	Jim Hogg 124	Newton 176	Trinity 228
Brazos 021	Falls 073	Jim Wells 125	Nolan 177	Tyler 229
Brewster 022	Fannin 074	Johnson 126	Nueces 178	Upshur 230
Briscoe 023	Fayette 075	Jones 127	Ochiltree 179	Upton 231
Brooks 024	Fisher 076	Karnes 128	Oldham 180	Uvalde 232
Brown 025	Floyd 077	Kaufman 129	Orange 181	Val Verde 233
Burleson 026	Foard 078	Kendall 130	Palo Pinto 182	Van Zandt 234
Burnet 027	Fort Bend 079	Kenedy 131	Panola 183	Victoria 235
Caldwell 028	Franklin 080	Kent 132	Parker 184	Walker 236
Calhoun 029	Freestone 081	Kerr 133	Parmer 185	Waller 237
Callahan 030	Frio 082	Kimble 134	Pecos 186	Ward 238
Cameron 031	Gaines 083	King 135	Polk 187	Washington 239
Camp 032	Galveston 084	Kinney 136	Potter 188	Webb 240
Carson 033	Garza 085	Kleberg 137	Presidio 189	Wharton 241
Cass 034	Gillespie 086	Knox 138	Rains 190	Wheeler 242
Castro 035	Glasscock 087	Lamar 139	Randall 191	Wichita 243
Chambers 036	Goliad 088	Lamb 140	Reagan 192	Wilbarger 244
Cherokee 037	Gonzales 089	Lampasas 141	Real 193	Willacy 245
Childress 038	Gray 090	LaSalle 142	Red River 194	Williamson 246
Clay 039	Grayson 091	Lavaca 143	Reeves 195	Wilson 247
Cochran 040	Gregg 092	Lee 144	Refugio 196	Winkler 248
Coke 041	Grimes 093	Leon 145	Roberts 197	Wise 249
Coleman 042	Guadalupe 094	Liberty 146	Robertson 198	Wood 250
Collin 043	Hale 095	Limestone 147	Rockwall 199	Yoakum 251
Collingsworth 044	Hall 096	Lipscomb 148	Runnels 200	Young 252
Colorado 045	Hamilton 097	Live Oak 149	Rusk 201	Zapata 253
Comal 046	Hansford 098	Llano 150	Sabine 202	Zavala 254
Comanche 047	Hardeman 099	Loving 151	San Augustine 203	
Concho 048	Hardin 100	Lubbock 152	San Jacinto 204	
Cooke 049	Harris 101	Lynn 153	San Patricio 205	
Coryell 050	Harrison 102	Madison 154	San Saba 206	
Cottle 051	Hartley 103	Marion 155	Schleicher 207	
Crane 052	Haskell 104	Martin 156	Scurry 208	