SPECIFIC INSTRUCTIONS
for completion of the
2014
INTERMEDIATE CARE FACILITY FOR INDIVIDUALS WITH AN INTELLECTUAL DISABILITY OR RELATED CONDITIONS (ICF/IID) COST REPORT

FOR ASSISTANCE WITH:

Completing the cost report:

For assistance with completing the cost report, contact the Rate Analyst for this program. The contact information for the Rate Analyst can be found on the following webpage: http://www.hhsc.state.tx.us/rad/long-term-svcs/contacts.shtml

Receipt of the cost report:

HHSC RAD. Phone: (512) 707-6087

Cost Report Groups assigned to provider's entity:

HHSC RAD. Phone: (512) 707-6087

Cost report Preparers or the list of trained Preparers:

HHSC RAD. Phone: (512) 730-7404, E-mail: costinformation@hhsc.state.tx.us

Adding Contacts or problems with your State of Texas Automated Information Reporting System (STAIRS) Username or Password:

Fairbanks, LLC. Phone: (877) 354-3831, E-mail: info@fairbanksllc.com

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TEXAS HEALTH AND HUMAN SERVICES COMMISSION

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

This is the Texas Health and Human Services Commission (HHSC) Rate Analysis Department (RAD) web-based system for long-term care Medicaid cost reporting in the State of Texas: STAIRS. The system is in use for the Intermediate Care Facility for an Individual with an Intellectual Disability or Related Condition (ICF/IID) program; the Home and Community-based Services (HCS) and Texas Home Living (TxHmL) waiver programs; and the Community Based Alternatives (CBA), Primary Home Care (PHC) and Community Living Assistance and Support Services (CLASS) programs (including both CLASS Case Management Agency (CLASS CMA) and CLASS Direct Service Agency (CLASS DSA) providers) via the CPC (CBA/PHC/CLASS) Cost Report. Beginning with the 2014 Cost Reports, Day Activity and Health Services (DAHS) program and the Residential Care (RC), CBA Assisted Living (CBA AL) and CBA Personal Care 3 (PC3) programs will submit their report through STAIRS. Additional programs are scheduled to roll out with the 2015 cost reports.

There are a few changes for 2014, mostly involving upgrades to the system as we bring new programs online. It is very important that the preparer read these instructions carefully. Here are some of the major 2014 changes:

- ***Step 5, Days of Service and Revenue***, the entry tables have been revised for clarity. Each LON is in a row (going down the table) and the service periods are in columns (going across the table). There is no change in the type of information.
- ***Step 7, Payroll Taxes and Workers' Compensation***, has been updated to separate the costs for non-central office staff into two categories: "Attendant" and "Non-Attendant and Program Admin".

Login IDs and passwords have not changed from 2013. The provider's designated Primary Entity Contact can access STAIRS via the links given in the e-mail notifying them of their login ID and password. If the provider is new for 2014, the provider's Primary Entity Contact should receive an e-mail with their login information. If the provider's Primary Entity Contact has not received an e-mail with their login information, they should contact costinformation@hhsc.state.tx.us. Preparers can only access STAIRS if they have been designated as the Preparer by the Primary Entity Contact and have received an e-mail notifying them of their login ID and password for STAIRS.

COST REPORT TRAINING

Beginning with the 2014 Cost Report, all Texas Health and Human Services Commission (HHSC) sponsored cost report training will be offered via webinar. There will be no on-site classroom training or online training. There will still be separate webinars for new preparers and for those who have taken cost report training in previous years for each program. Each webinar will include both the general and program-specific content for a program.

- The "Initial Cost Report Training" webinar sessions replace the on-site classroom-based training for new preparers.
- The "Refresher Cost Report Training" webinar sessions replace the online training for preparers who have previously attended the on-site classroom-based training.

Upon completion of the appropriate webinar, preparers will be given the appropriate credit to be qualified to submit a cost report. Attendees of the Initial Cost Report Training webinar will not receive a certificate, and there will be NO Continuing Education Units (CEUs) or Continuing Professional Education (CPEs) credits for completing either of the cost report training webinars.

In order to be able to submit a 2014 cost report, a preparer must:

- attend the appropriate 2014 Cost Report Training webinar;
- have attended a 2013 classroom-based Cost Report Training (for first-time preparers); or
- have completed the online Cost Report Training (for preparers who have previously attended a classroom-based training).

Preparers without the proper training credit will not be able to access the STAIRS data entry application.

PURPOSE

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

WHO MUST COMPLETE THIS REPORT?

Any ICF/IID provider that is enrolled in Attendant Compensation Rate Enhancement as described in Title 1 of the Texas Administrative Code (TAC) §355.112 whose component code had at least one contract to provide Medicaid ICF/IID services in Texas during its fiscal year ending in 2014 is required to complete and submit a 2014 ICF/IID Cost Report. The only exception to this requirement is if the provider did not provide any billable attendant services to DADS recipients during the reporting period.

Providers with more than one component code must file separate reports for each component code.

A provider that is not enrolled in Attendant Compensation Rate Enhancement during the reporting period for the cost report in question must complete and submit a §2014 ICF/IID Cost Report unless excused from the requirement to submit a cost report based on meeting one or more of the following conditions:

- If the provider performed no billable services during the provider's cost-reporting period.
- If the cost-reporting period would be less than or equal to 30 calendar days or one entire calendar month.
- If circumstances beyond the provider's control, such as the loss of records due to natural disasters or removal of records from the provider's custody by a regulatory agency, make cost-report completion impossible.
- If all of the contracts that the provider is required to include in the cost report have been terminated before the cost-report due date.

GENERAL

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

- Cost Determination Process Rules at 1 TAC §§355.101-355.110;
- ICF/IID program-specific rules at 1 TAC §355.457;
- The *SPECIFIC INSTRUCTIONS* contained in this document; and
- The 2014 General and program-specific Cost Report training materials.

As stated at 1 TAC §355.105(b)(1), federal tax laws and Internal Revenue Service (IRS) regulations do not necessarily apply in the preparation of Texas Medicaid Cost Reports. Except as otherwise specified in HHSC's Cost Determination Process Rules, cost reports should be prepared consistent with generally accepted accounting principles (GAAP). Where the Cost Determination Process Rules and/or program-specific rules conflict with IRS, GAAP or other authorities, the Cost Determination Process Rules and program-specific rules take precedence.
In order to properly complete this cost report, the preparer must:

- Read these instructions;
- Review the provider's most recently audited cost report and audit adjustment information. The most recently received adjustments are likely those for the 2012 Cost Report and/or Accountability Report Multipurpose (ARM) (if adjustment information has not been received, call (512) 730-7454;
- If a first-time preparer, have attended an Initial Cost Report Training webinar session and received credit for the 2014 Cost Report Training sponsored by HHSC. Preparers without the proper training credit will not be able to access the STAIRS data entry application;
- If an experienced preparer who has previously attended classroom-based training, have either a 2013 Cost Report Online Training Certificate signifying the preparer successfully completed the online training or have attended either an Initial Cost Report Training webinar or a Refresher Cost Report Training webinar session. Preparers without the proper training credit will not be able to access the STAIRS data entry application;
- Create a comprehensive reconciliation worksheet to serve as a crosswalk between the facility/contracted provider's accounting records and the cost report; and
- Create worksheets to explain adjustments to year-end balances due to the application of Medicaid cost reporting rules and instructions.

DUE DATE AND SUBMISSION (1 TAC §355.105(c))

The cost report is due to HHSC Rate Analysis on or before **April 15, 2015**.

All information formerly included in schedules is now incorporated into STAIRS. Other attachments and signed and notarized certification pages must be uploaded into STAIRS.

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

REPORTING PERIOD

The reporting period is the period of time during the contracted provider's 2014 fiscal year during which its contract with the Texas Department of Aging and Disability Services (DADS) was in effect. The reporting period must not exceed twelve months. The beginning and ending dates are pre-populated. If provider believes the pre-populated dates are incorrect, it is extremely important to call the number shown on the page in STAIRS before continuing with cost report preparation. Refer to the *SPECIFIC INSTRUCTIONS*, ***Step 2 (GENERAL INFORMATION)*** for additional assistance.

WEBSITE

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

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

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

EXTENSIONS GRANTED ONLY FOR GOOD CAUSE (1 TAC §355.105(c)(3))
Extensions of cost report due dates are limited to those requested for good cause. Good cause refers to extreme circumstances that are beyond the control of the contracted provider and for which adequate advance planning and organization would not have been of any assistance. HHSC Rate Analysis must receive requests for extensions prior to the due date of the cost report. The extension request must be made by the provider (owner or authorized signor). The extension request must clearly explain the necessity for the extension and specify the extension due date being requested. Failure to file an acceptable cost report by the original cost report due date because of the denial of a due date extension request constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in 1 TAC §355.111.

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

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

2. Be completed for the correct cost-reporting period (Note that, beginning with the 2011 Cost Report, the cost reporting period has been prepopulated. See ***Step 4***. If provider believes that the dates are incorrect, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance);

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

4. Be submitted online as a 2014 Cost Report for the correct program through STAIRS;

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

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

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

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

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

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

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

ACCOUNTING METHOD (1 TAC §355.105(b)(1))
All revenues, expenses, and statistical information submitted on cost reports must be based upon an accrual method of accounting except where otherwise specified in the Cost Determination Process Rules

or program-specific reimbursement methodology rules. Governmental entities may report on a cash basis or modified accrual basis. To be allowable on the cost report, costs must have been accrued during the cost reporting period, and paid within 180 days of the end of the cost reporting period unless the provider is under bankruptcy protection and has received a written waiver of the 180-day rule from HHSC Rate Analysis.

COST REPORT CERTIFICATION

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

REPORTING DATA / STATISTICS

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

DIRECT COSTING

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

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

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

SPLIT PAYROLL PERIODS

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

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

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

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

If there is more than one business component, service delivery program, or Medicaid program within the entire related organization, the provider is considered to have central office functions, meaning that administration functions are more than likely shared across various business components, service delivery programs, or Medicaid contracts. Shared administration costs require allocation prior to being reported as central office costs on the cost report. The allocation method(s) used must be disclosed as the allocated costs are entered into STAIRS and an allocation summary must be prepared and uploaded to support each allocation calculation.

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

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

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

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

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

A provider may have many costs shared between business components. For example, an ICF/IID that also provides personal care services, HCS services or assisted living services might have shared laundry costs, shared maintenance costs, shared transportation costs, shared dietary costs, shared housekeeping costs, shared security costs, shared administration costs, and other shared costs. Guidelines for allocation of various expenses will be provided in each Step of the *Specific Instructions* as appropriate.

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

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

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

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

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

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

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

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

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

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

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

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

Failure to maintain all work papers and any other records that support the information submitted on the cost report relating to all revenue, expense, allocations and statistical information constitutes an administrative contract violation. Procedural guidelines and informal reconsideration and/or appeal processes are specified in 1 TAC §355.111 of this title (relating to Administrative Contract Violations).

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

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

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

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

During the course of a field audit or a desk review, the provider must furnish any reasonable documentation requested by HHSC auditors within ten (10) working days of the request or a later date as specified by the auditors. If the provider does not present the requested material within the specified

time, the audit or desk review is closed, and HHSC automatically disallows the costs in question, pursuant to 1 TAC §355.105(b)(2)(B)(xviii).

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

NOTIFICATION OF EXCLUSIONS AND ADJUSTMENTS (1 TAC §355.107)

HHSC notifies the provider by e-mail of any exclusions and/or adjustments to items on the cost report. See ***Steps 12-13***. HHSC-OIG furnishes providers with written reports of the results of field audits.

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

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

COMMON COST REPORTING ERRORS

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

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

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

3. Failure to report in ***Step 3*** all state of Texas Medicaid contracts, related entities and/or funding sources to which staff or assets must be allocated.

4. Incorrect reporting of related-party and third-party day habilitation.

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

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

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

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

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

COMMON ERRORS REGARDING UNALLOWABLE COSTS

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

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

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

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

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

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

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

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

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

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

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

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

DEFINITIONS

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

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

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

ALLOCATION (1 TAC §355.102(j)) **-** A method of distributing costs on a pro rata basis. For more information, see COST ALLOCATION METHODS in the General Instructions section and the 2014 Cost Report Training materials.

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

AMORTIZATION (1 TAC §355.103(b)(10)) **-** The periodic reduction of the value of an intangible asset over its useful life or the recovery of the intangible asset's cost over the useful life of the asset. May include amortization of deferred financing charges on the financing or refinancing of the purchase of the building, building improvements, building fixed equipment, leasehold improvements and/or land improvements. The amortization of goodwill is an unallowable cost. The amortization of the purchase price of a Medicaid contract itself (as opposed to the purchase price of the physical facility) is an unallowable cost. For additional information, see *SPECIFIC INSTRUCTIONS* for ***Step 8e*** (***CONTRACTING ENTITY FINANCIAL DATA***, ***FACILITY AND OPERATIONS COSTS, Depreciation Expense and Related-Party Lease/Purchase of Depreciable Assets)***.

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

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

- A driver who is transporting individuals in the ICF/IID, DAHS, RC, and CBA AL/RC programs and the HCS SL/RSS and HCS and TxHmL Day Habilitation settings;
- Medication aides in the ICF/IID, RC and CBA AL/RC programs and HCS SL/RSS setting; and
- Direct care workers, direct care trainers and job coaches in the ICF/IID, HCS and TxHmL programs.

Attendants do not include the director, administrator, assistant director, assistant administrator, clerical and secretarial staff, professional staff, other administrative staff, licensed staff, attendant supervisors, cooks and kitchen staff, maintenance and groundskeeping staff, activity director, Qualified intellectual disabilities Professionals (QIDPs), assistant QIDPs, direct care worker supervisors, direct care trainer supervisors, job coach supervisors, foster care providers, and laundry and housekeeping staff. See the TAC reference for additional details and exceptions.

BAD DEBT (1 TAC §355.103(b)(20)(M)) **-** Unrecoverable revenues due to uncollectible accounts receivable. Bad debts are not reported on the Medicaid cost report.

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

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

CENTRAL OFFICE (1 TAC §355.103(b)(7)) **-** Any contracted provider who provides administrative services shared by two or more business components is considered to have a central office. For cost-reporting purposes, a "central office" exists if there are shared administrative functions that require allocation across more than one business. Central office costs are also known as allocated shared administrative costs. The shared administrative functions could be provided by a separate corporation or partnership, or they could be a separate department or separate accounting entity within the contracted entity accounting system. The shared administrative functions could be provided in their own building or co-located with one of the entities for which they provide administrative services (e.g., the shared administrative functions could be provided from spare office space within a programmatic location.)

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

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

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

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

COMBINED ENTITY **-** one or more commonly owned corporations and/or one or more limited partnerships where the general partner is controlled by the same identical persons as the commonly owned corporation(s). May involve an additional *CONTROLLING ENTITY* which owns all members of the combined entity.

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

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

COMPENSATION, OWNERS AND RELATED PARTIES (1 TAC §355.103(b)(2)) **-** Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes withdrawals from an owner's capital account; wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal

Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers' Compensation Insurance. Compensation must be made in regular periodic payments, must be subject to payroll or self-employment taxes, and must be verifiable by adequate documentation maintained by the contracted provider.

COMPONENT CODE **-** Specific to the IDD programs, this is a three-digit code assigned by the DADS CARE system that is specific to one contracted provider. It may cover one or multiple contracts held by that provider. This code is added to the end of a string that reads "0000H0xxx" for HCS and TxHmL and "0000I0xxx" for ICF/IID to identify the provider in certain HHSC RAD communications.

CONTRACT LABOR **-** Labor provided by nonstaff individuals. Nonstaff refers to personnel who provide services to the contracted provider intermittently, whose remuneration (i.e., fee or compensation) is not subject to employer payroll tax contributions (e.g., FICA/Medicare, FUTA, or SUTA) and who perform tasks routinely performed by employees. Contract labor does not include consultants. Contract labor hours must be associated with allowable contract labor costs as defined in 1 TAC §355.103(b)(3).

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

CONTRACTED BEDS **-** Licensed beds contracted with Medicaid to provide services to Medicaid residents. These beds can be occupied by Medicaid residents and other residents (e.g., private pay, private insurance, VA). See *SPECIFIC INSTRUCTIONS* for ***Step 5*** (***CONTRACTING ENTITY FINANCIAL DATA***, ***DAYS OF SERVICE AND REVENUE***.

CONTRACTED PROVIDER **-** See definition for *PROVIDER*.

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

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

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

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

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

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

DEPRECIATION EXPENSE (1 TAC §355.103(b)(10)) **-** The periodic reduction of the value of an asset over its useful life or the recovery of the asset's cost over the useful life of the asset. For additional information, see *SPECIFIC INSTRUCTIONS* for ***Step 8e***.

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

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

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

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

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

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

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

MANAGEMENT SERVICES (1 TAC §355.103(b)(6) and 1 TAC §355.457(b)(2)(A) **-** Services provided under contract between the contracted provider and a person or organization to provide for the operation of the contracted provider, including administration, staffing, maintenance, or delivery of resident/participant care services. Management services do not include contracts solely for maintenance, laundry, or food service. If the provider contracts with another entity for the management or operation of the program, the provider must report the specific direct services costs of that entity and not the amount for which the provider is contracting for the entity's services. Expenses for management provided by the contracted provider's central office must be reported as central office costs.

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

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

NET EXPENSES (1 TAC §355.102(k) and 1 TAC §355.103(b)(18)(D)) **-** Gross expenses less any purchase discounts or returns and purchase allowances. Only net expenses should be reported on the cost report.

NON-CONTRACTED BEDS **-** Licensed beds that are not contracted to provide ICF/IID services to ICF/IID residents. Medicare-only or private pay residents may occupy these licensed beds. Beds licensed as personal care beds are not non-contracted beds; no statistics, revenues, or costs related to personal care beds should be reported on a Medicaid cost report.

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

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

PERSONAL CARE BEDS **-** Beds not licensed by the Department of Aging and Disability Services (DADS) as ICF/IID beds or beds licensed by DADS as personal care beds (and not as ICF/IID beds). Personal care beds are not non-contracted ICF/IID beds; no statistics, revenues, or costs related to personal care beds should be reported on a Medicaid cost report.

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

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

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

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

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

REIMBURSEMENT METHODOLOGY (1 TAC §§355.451 - §355.456) **-** Rules by which HHSC determines daily payment rates for ICF/IID services that are statewide and uniform by class of service and level of need.

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

RELATED PARTY (1 TAC §355.102(i)) **-** A person or organization related to the contracted provider by blood/marriage, common ownership, or any association, which permits either entity to exert power or influence, either directly or indirectly, over the other. In determining whether a related-party relationship exists with the contracted provider, the tests of common ownership and control are applied separately. Control exists where an individual or organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests where the significance tests are met. The following persons are considered immediate family for cost-reporting purposes: (1) husband and wife; (2) natural parent, child and sibling; (3) adopted child and adoptive

parent; (4) stepparent, stepchild, stepsister, and stepbrother; (5) father-in-law, mother-in-law, brother-in-law, son-in-law, sister-in-law, and daughter-in-law; (6) grandparent and grandchild; (7) uncles and aunts by blood or marriage; (8) first cousins, and (9) nephews and nieces by blood or marriage. Disclosure of related-party information is required for all allowable costs reported by the contracted provider. ***Step 6*** (CONTRACTING ENTITY ***FINANCIAL DATA***, ***WAGES AND COMPENSATION)*** and ***Step 8*** of STAIRS both have substeps designed for reporting compensation of related parties (both wage and contract compensation) and related-party transactions, including the purchase/lease of equipment, facilities, or supplies, and the purchase of services including related-party loans (i.e., lending services). See also definitions of *COMMON OWNERSHIP*, *CONTROL*, *RELATED*, and *RELATED-PARTY TRANSACTIONS*. See also the Cost Report Training materials.

RELATED-PARTY TRANSACTIONS (1 TAC §355.102(i)) **-** The purchase/lease of buildings, facilities, services, equipment, goods or supplies from the contracted provider's central office, an individual related to the provider by common ownership or control, or an organization related to the provider by common ownership or control. Allowable expenses in related-party transactions are reported on the cost report at the cost to the related party. However, such costs must not exceed the price of comparable services, equipment, facilities, or supplies that could be purchased/leased elsewhere in an arm's-length transaction.

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

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

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

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

SELF INSURANCE (1 TAC §355.103(b)(13)(b)) **-** See ***APPENDIX E – Self-Insurance.***

STARTUP COSTS (1 TAC §355.103(b)(20)(D)) **-** Those reasonable and necessary preparation costs incurred by a provider in the period of developing the provider's ability to deliver services. Startup costs can be incurred prior to the beginning of a newly formed business and/or prior to the beginning of a new contract or program for an existing business. Allowable startup costs include, but are not limited to, employee salaries, utilities, rent, insurance, employee training costs, and any other allowable costs incident to the startup period. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation as described in the Cost Determination Process Rules. Any costs that are properly identifiable as organization costs or capitalizable as construction costs must be appropriately classified as such and excluded from startup costs. Allowable startup costs should be amortized over a period of not less than 60 consecutive months. If the business component or corporation never commences actual operations, or if the new contract/program never delivers services, the startup costs are unallowable.

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

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

SPECIFIC INSTRUCTIONS

GENERAL SYSTEM NAVIGATION

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

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

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

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

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

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

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

USER INTERFACE AND DASHBOARD

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

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

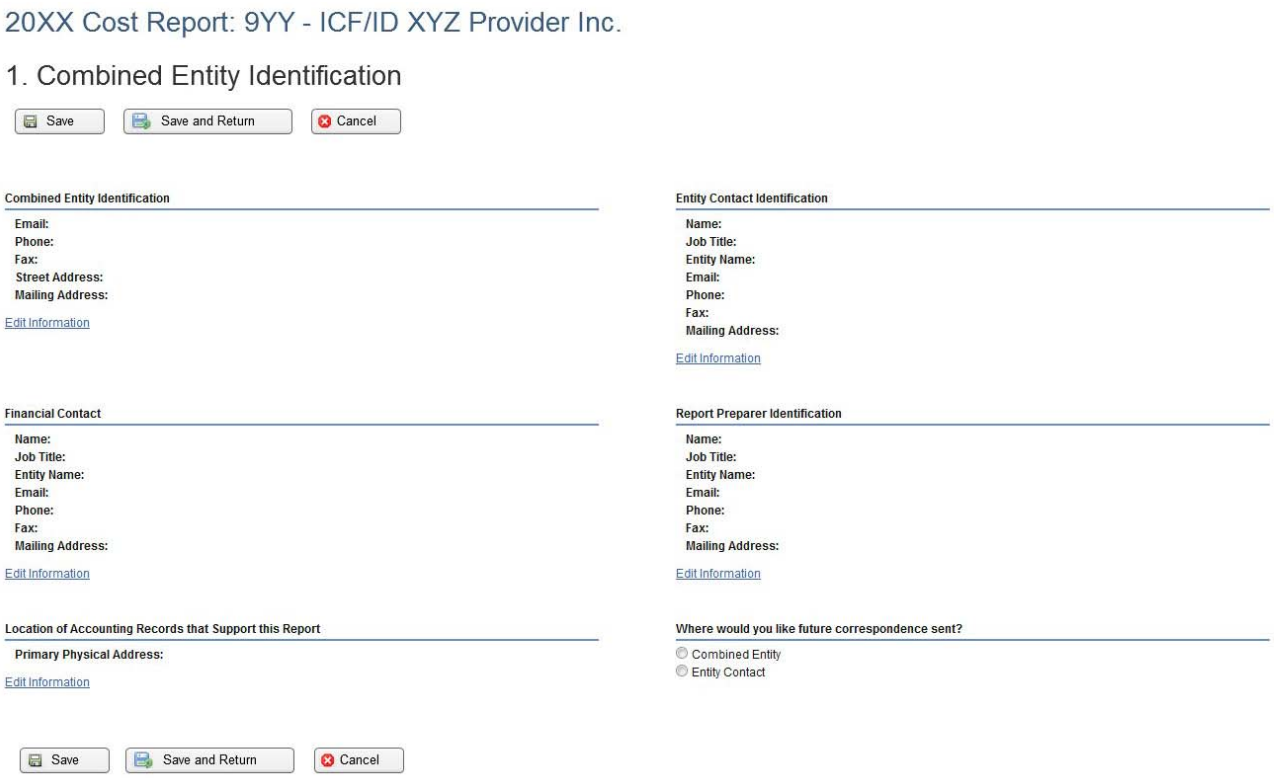
The document titled “Managing Contacts Processing Procedures” gives detailed instructions for managing contacts, including understanding roles and what can be done within the system by persons assigned to the various roles. This document is located in the Reference Materials section located at the bottom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

The Upload Center is also located under “Manage”.

Once the user is in the system, they can click on “Cost Reporting” on the top bar. If the user has access permission for only a single component code and program, for example Component Code 8zz for HCS/TxHmL, then there will only be one option to click on the initial Cost Reporting page. If the user has access permission for more than one component code and/or program, for example Component Code 8zz for HCS/TxHmL and Component Code 8zy for HCS/TxHmL and ICF/IID, then the user will need to choose the component code and report in which the user wishes to work.

COMBINED ENTITY DATA

Step 1 COMBINED ENTITY IDENTIFICATION



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

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

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

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

designated as a preparer has completed the required training. Only a preparer who has received a 2014 or later training certificate from HHSC for both the General and the Program Specific training will be able to complete a cost report in STAIRS. A list of preparers who have completed the training may be accessed through the Rate Analysis website (see the WEBSITE section of the General Instructions) by scrolling down to the "Training Information" heading and clicking on "Cost Reports", then "Mandatory Cost Report Training" and then "Preparer List."

Preparers must complete cost report training for every program for which a cost report is submitted. Such training is required every other year for the odd-year cost report in order for the preparer to be qualified to complete both that odd-year cost report and the following even-year cost report. To sign as preparer of a 2014 cost report for a specific program, the preparer must either: (1) have attended the classroom-based training for that program's 2014 cost report and received 2014 Mandatory Cost Report Training Certificate; or (2) successfully completed that program's online cost report training and received a 2014 Mandatory Cost Report Training Certificate for both the general online training and the program-specific online training.

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

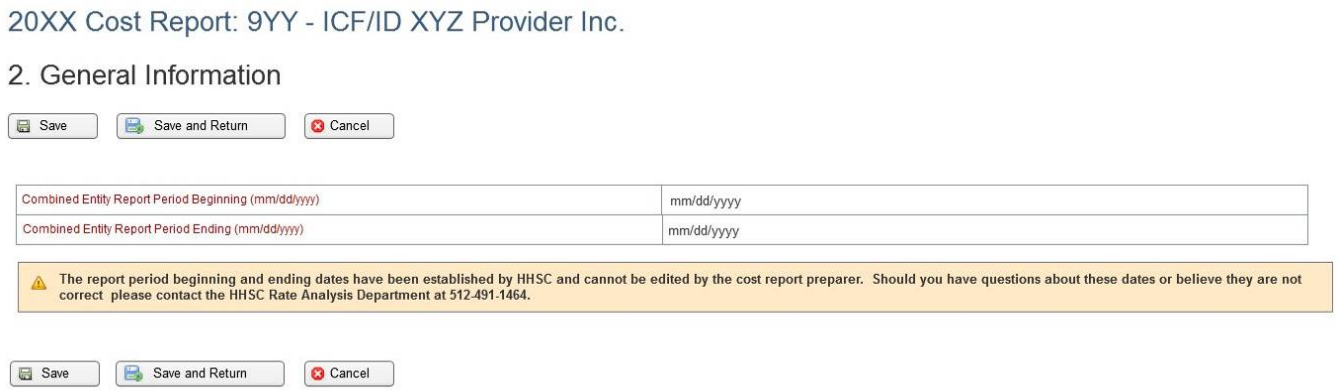
Location of Accounting Records that Support this Report

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

Where would you like future correspondence sent?

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

Step 2 GENERAL INFORMATION



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

This reporting period should include the earliest date the combined entity had a contract with DADS during the entity's fiscal year ending in 2014 and run through the earlier of the end of the combined entity's 2014 fiscal year or the last date on which the combined entity held a contract with DADS. This date span must match DADS records regarding the effective dates of the combined entity's current contract(s). If there is a discrepancy, the cost report will be rejected as unacceptable and returned for proper completion.

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

Step 3 CONTRACT MANAGEMENT

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

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

3.a. Verify Existing DADS Contracts

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

Save | Save and Return | Cancel

Active Entire Cost Report Period?	Contract Type	Cost Report Group Code	Contracting Entity Name	CR Type	Program	Site Type	Contract #	Contract Name	Enhancement Level	Note
Yes No	DADS	9YY	XYZ Provider Inc.	ICF/ID	ICF/ID	S	403028450	XYZ Provider Inc.	A44	

Save | Save and Return | Cancel

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

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

Site Type is applicable to ICF/IID only and refers to contracted facility size. A Small facility has 1-8 beds, a Medium facility has 9-13 beds, and a Large facility has 14+ beds.

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

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

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

Steps involving allocation, STAIRS will automatically unverify those Steps in those reports. The other preparer will need to address those Steps again prior to completing those reports.

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

Save | Save and Return | Cancel | Add Record | Edit Record | Delete Record

	Active During Entire Cost Report Period?	Contract Type	Service Type	Contracting Entity	Contract #/ Provider Identification	Added By	Note
No records entered							

Save | Save and Return | Cancel

Information necessary to add an additional contract includes

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

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

Step 3c Verify Contract Summary:

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

3.c. Verify Contract Summary

Save | Save and Return | Cancel

Contract Type	Cost Report Group Code	Contracting Entity Name	CR Type	Site Type
DADS	9YY	XYZ Provider Inc.	ICF/ID	Small

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

- ○ Yes
- ◉ No

Save | Save and Return | Cancel

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

CONTRACTING ENTITY FINANCIAL DATA

Step 4 GENERAL INFORMATION

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

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4. General Information

Save | Save and Return | Cancel

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

	Proprietary (For Profit)	Nonprofit Corporation	Nonprofit Association	Government
Type of Ownership of Contracting Entity	Sole Proprietor Partnership Limited Partnership Limited Liability Company "S" Corporation Corporation	Owned or affiliated with religious organization Not owned or affiliated with religious organization	Owned or affiliated with religious organization Not owned or affiliated with religious organization	State County Municipal Special District Federal MHMR Center (all component codes between 010 and 500)
Contracted Provider Report Period Beginning (mm/dd/yyyy)	mm/dd/yyyy			
Contracted Provider Report Period Ending (mm/dd/yyyy)	mm/dd/yyyy			
Is Provider a participant in Attendant Compensation Rate Enhancement for Day Habilitation Services?	Yes			
Is provider a participant in Attendant Compensation Rate Enhancement for Non Day Habilitation Services?	Yes			
Was an accrual method of accounting used for reporting all revenues, expenses, and statistical information on this report except for where the instructions require otherwise?	Yes			
Did the preparer(s) of this report review the most recently received audit adjustments and make the necessary revisions when preparing this report?	Yes			
Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report? If No, please provide and explanation.	Yes			
Are you reporting Central Office expenses in this Cost Report? Please attach your Central Office allocation methodology	Yes Select file --- or upload new file			
Are you reporting any allocated Non-Central Office Program Administration expenses? Please attach your Non-Central Office Program Administration allocation methodology	Yes Select file --- or upload new file			

Save | Save and Return | Cancel

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

Contracted Provider Reporting Period Beginning and Ending Dates:
These dates represent the beginning and ending dates for the contracted provider's reporting period. For a contracted provider that submitted a cost report in a prior year, these dates will be based on the dates

from the prior cost report. For a contracted provider that is reporting for the first time this year, the dates are based on the beginning date of the first contract and on the assumption that the provider is on a calendar fiscal year, so has an ending date of 12/31 of the cost report year. If these dates are not correct, contact HHSC RAD at costinformation@hhsc.state.tx.us for assistance

Beginning and Ending Dates When the Component Code Did Not Have At Least One Contract Active for the Provider's Entire Fiscal Year Ending in 2014:

In situations where the component code did not have at least one contract active for the provider's entire fiscal year ending in 2014, the reporting period must match with DADS records regarding the effective dates of the provider's current contract(s).

If there is a difference in the beginning dates for the ICF/IID contracts under the component code, the earliest beginning date will be used. If this date is prior to the first day of the provider's fiscal year ending in 2014, the first day of the provider's fiscal year will be used, based on the ending date from the prior year's cost report.

If there is a difference in the ending dates for the ICF/IID contracts under the component code, the latest date will be used. If this date is after the last day of the provider's fiscal year ending in 2014, the last day of the provider's fiscal year will be used.

If the provider's component code is new or was acquired during the 2014 reporting period, complete the cost report for the period beginning with the initial date of the provider's first contract and ending with the last day of the last month of the provider's fiscal year ending in 2014. Refer to 1 TAC §355.105(b)(5) for additional information on the cost-reporting year.

If the provider's reporting period is less than twelve months, the cost report preparer must properly report only those statistics, revenues and expenses associated with the reporting period. For example, if the provider's reporting period was 2/1/14 through 12/31/14, it is unacceptable for the cost report preparer to report 11/12 of the provider's annual days of service, annual revenues, and annual expenses. Instead, the cost report preparer should only report information related to the reporting period, meaning that days of service, revenues, and costs related to the month of January 2014 are not to be included anywhere on the cost report.

If the reporting period does not begin on the first day of a calendar month or end on the last day of a calendar month, it is imperative that the cost report preparer properly report only those statistics (i.e., days of service), revenues, and costs associated with the actual cost-reporting period. If, for example, the provider's cost-reporting period was 8/15/14 through 12/31/14, it is unacceptable for the cost report preparer to report 37.8% of the provider's total days of service, revenues, and costs for the year. Rather, the cost report preparer must report the days of service, revenues and costs associated only with the period 8/15/14 through 12/31/14. Since the month of August is partially reported (i.e., 8/15 - 8/31), the cost report preparer will have to calculate 17/31 of various costs applicable to the month of August (e.g., building rent/depreciation, August utilities, and other such "monthly" costs) and include that with the actual costs for September - December. For questions regarding the appropriate method for reporting information for less than a full year, please contact the Rate Analyst.

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

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

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

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

Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report?
Click either "Yes" or "No". When provider clicks "Yes", then the workpapers must be uploaded to the report. There should not be situations where a providers responds to this question with "no". Each provider must maintain reconciliation work papers and any additional supporting work papers (such as invoices, canceled checks, tax reporting forms, allocation spreadsheets, financial statements, bank statements, and any other documentation to support the existence, nature, and allowability of reported information) detailing allocation of costs to all contracts/grants/programs/business entities. In order to facilitate the audit process, it is thus required that the cost report preparer attach a reconciliation worksheet, with its foundation being the provider's year-end trial balance. Refer to 1 TAC §355.105(b)(2)(A).

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

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

Step 5 DAYS OF SERVICE AND REVENUE

Important Note. *There IS no location for entering Medicaid revenues for ICF/IID service provision. Those revenues are not to be entered in the cost report.*

5. Days of Service and Revenue Entry

Please enter and verify the information below

Enter the Units of Service for LON1, LON5, LON8, LON6, and LON9 for each reporting period. Also, enter the total Non-Medicaid Units of Service and Non-Medicaid Revenue for each reporting period.

DO NOT include any Units of Service that were provided outside of this Cost Report's reporting period of 06/01/2014 through 12/25/2014

Save | Save and Return | Cancel

Units of Service				
Service	06/01/2014 - 08/31/2014	09/01/2014 - 12/25/2014	Total Medicaid	Non-Medicaid Revenues
Small Facility LON 1			0	
Small Facility LON 5			0	
Small Facility LON 8			0	
Small Facility LON 6			0	
Small Facility LON 9			0	
Small Facility Non Medicaid			0	
TOTAL	0	0	0	$0

Units of Service				
Service	06/01/2014 - 08/31/2014	09/01/2014 - 12/25/2014	Total Medicaid	Non-Medicaid Revenues
Medium Facility LON 1			0	
Medium Facility LON 5			0	
Medium Facility LON 8			0	
Medium Facility LON 6			0	
Medium Facility LON 9			0	
Medium Facility Non Medicaid			0	
TOTAL	0	0	0	$0

Units of Service				
Service	06/01/2014 - 08/31/2014	09/01/2014 - 12/25/2014	Total Medicaid	Non-Medicaid Revenues
Large Facility LON 1			0	
Large Facility LON 5			0	
Large Facility LON 8			0	
Large Facility LON 6			0	
Large Facility LON 9			0	
Large Facility Non Medicaid			0	
TOTAL	0	0	0	$0

Save | Save and Return | Cancel

In this screen the preparer will enter the Medicaid days of service by facility size and Level of Need (LON) and the Non-Medicaid units of service and related Non-Medicaid revenues by facility size. The provider must breakdown the Medicaid units into multiple rate periods based on when the Medicaid payment rates changed during the provider's cost report year. There will be separate entries for each rate period based on the provider's reporting period in ***Step 4***. The data should be reported based on the date of service provision and not by the date revenues were received – in other words, on the accrual basis. Bed holds or room holds are not considered units of service.

Non-Medicaid revenues include revenues received for Private residents in Medicaid-Contracted beds and revenues received for residents in Non-Medicaid-Contracted beds.

Step 6 WAGES AND COMPENSATION

Step 6a General Information

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

6.a. General Information

Save | Save and Return | Cancel

Do you have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses.	○ Yes - Non-Related Party ◉ Yes - Related Party ○ No
Do you have any employee-related self-insurance expenses to report on this cost report?	◉ Yes ○ No
Please select Yes or No for the following self-insurance expenses that you are reporting on this cost report.	Yes No ◉ ○ Health/Dental ◉ ○ Workers' Compensation ◉ ○ Disability ○ ◉ Other
Total number of central office staff employed by the controlling entity on the last day of the cost-reporting period. How many worked 30 hours or less a week?	Number Employed: 757 Number worked 30 hours or less: 11
Total number of non-central office staff employed by the contracted provider on the last day of the cost-reporting period. How many worked 30 hours or less a week?	Number Employed: 713 Number worked 30 hours or less: 90
Do you have any Related-Party Wages and Compensation (Employee or Contractor) included in the Cost Report?	◉ Yes ○ No
Did your company offer health insurance to its employees on or before March 23, 2010? Is that coverage still in effect?	◉ Yes ○ No ◉ Yes ○ No
Does the health insurance your company offers include all of the following benefits: inpatient, outpatient and emergency services; maternity and newborn care; mental and behavioral health services; prescription drugs; rehabilitation and habilitation services; laboratory services; disease management; preventative and wellness services; pediatric care? (If your company does not offer health insurance, answer 'No'.)	◉ Yes ○ No

Save | Save and Return | Cancel

Do you have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses.
Click "Yes – Non-Related Party", "Yes – Related Party" or "No". See **DEFINITIONS**, *MANAGEMENT SERVICES* in these instructions. The written management agreement must specify the management services to be rendered and the fee to be paid for those services. Upload a properly cross-referenced copy of the executed management agreement signed by all interested parties. Submission of the management agreement with a prior year's cost report does not exempt a facility from the requirement to submit another copy with the current cost report. If there is no written management agreement, upload a cross-referenced attachment explaining why there is no written management agreement for contracted management services. See also 1 TAC §355.103(b)(6) of the Cost Determination Rules.

If the contracted management services are provided by a **related party** (see **DEFINITIONS**, *RELATED PARTY*), allowable management fees are limited to the actual costs incurred by the related party for materials, supplies, and services provided, but must not exceed comparable materials, supplies and services that could be purchased or leased elsewhere in an arm's length transaction, in accordance with 1 TAC §355.103(b)(6) (A). These costs are entered in the Central Office cost area in their specific cost categories (see ***Step 8f***). Reasonable management fees paid to unrelated parties are allowable costs and are reported in ***Step 8f***.

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

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

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

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

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

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

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

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

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.

Documentation Requirements for all wages, compensation and benefits

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

The only exception to the "no allocation rule" is when ICF/IID personnel work in Day Habilitation services for individuals in multiple programs at the same time. In such a situation, if the hours and costs cannot be reasonably direct costed, the hours worked and associated costs must be allocated between the different individuals based upon a functional allocation [i.e., hours individuals were in attendance (preferably) or days of service provided] and an acceptable allocation summary must be attached.

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

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

Step 6b Related-Party Wages and Compensation.

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

Create one and only one record for each individual. If the individual worked in multiple entities or for multiple contracts, that will be designated in 2. below.

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

1. *Click "Add record"*

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

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

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

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

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

The available business components are limited to the businesses and contracts entered in ***Step 3***. Allocate or direct cost all hours reported for the individual under Total Hours Worked and Total Compensation to a business component before proceeding. The Hourly Wage Rate will automatically be calculated. If allocated, an allocation method must be chosen and an allocation summary uploaded when prompted.

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

6.b. RELATED-PARTY WAGES AND COMPENSATION

Please enter and verify the information below

Save | Save and Return | Cancel

First Name	Middle Initial	Last Name	Suffix	Birth Date (mm/dd)	Relationship To Provider	Percentage Ownership (If no ownership, enter 0)	Total Hours Worked	Total Compensation	Hourly Wage Rate
John		Doe		12/01	owner	100	2,080.00	82,000	$39.42

Business Component & Area Allocations

Select Business Component to allocate to: Add Record

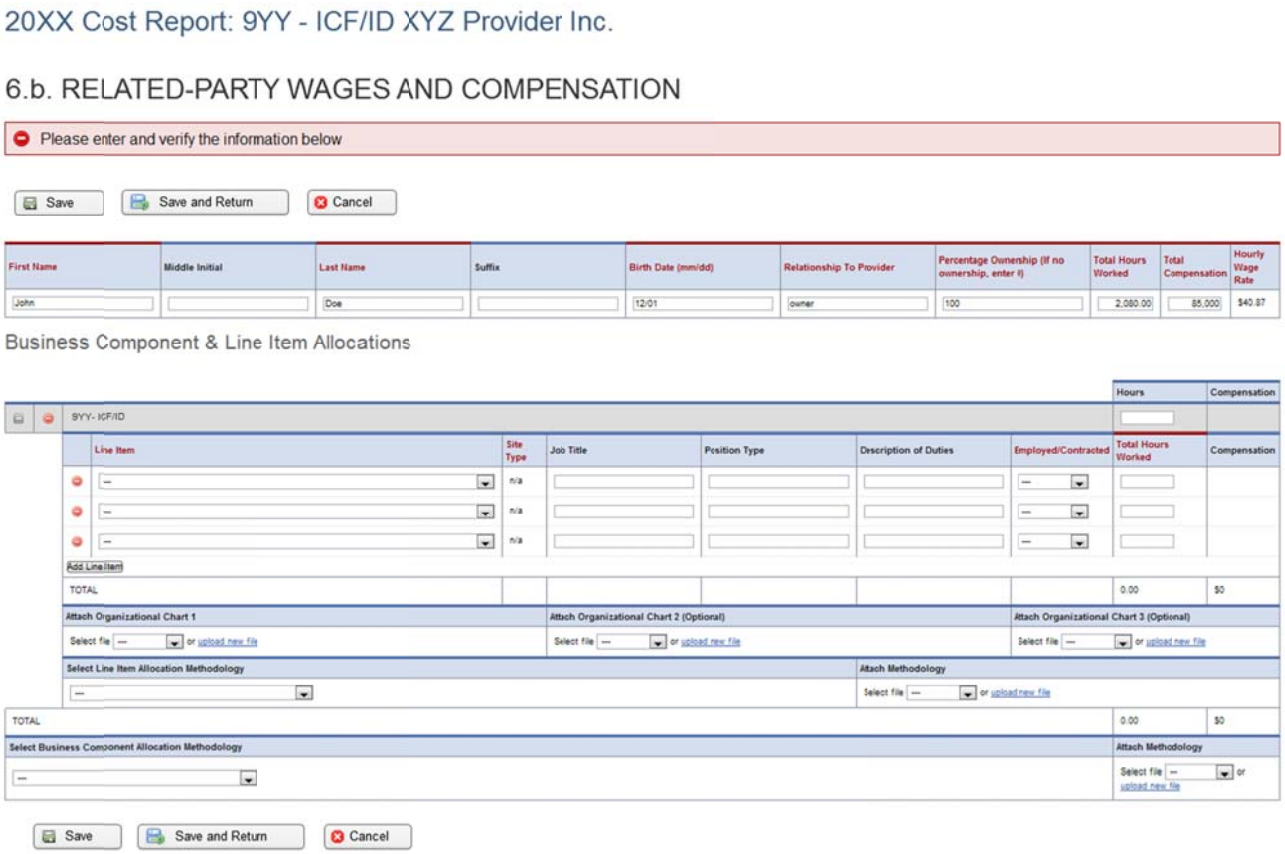
	Hours	Compensation
TOTAL	0.00	$0

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

Save | Save and Return | Cancel

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

3. Enter Line Item Allocation(s)



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

I. Line Item Allocation Methodology – If allocated to multiple line items, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple line items entered.
J. Business Component Allocation Methodology – After all business component line item allocations have been completed, reporting a related party in multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

Step 6c Attendant Non-Related Party Wages and Benefits

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

6.c. Attendant Wages and Benefits

Save | Save and Return | Cancel

Small Facility

	Non-Related Party				Related Party				Related Party and Non-Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	Total Compensation	Average Staff Rate	Average Contract Rate	Average Mileage Reimbursement per Mile
A	B	C	D	E	F	G	H	I	J	K	L	M (C+E+G+I+J+L)	N [(C+G)/(B+F)]	O [(E+I)/(D+H)]	P (L/K)
Residential - Attendant												$0	$0.00	$0.00	$0.00
Day Habilitation - Attendant												$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	0	$0	$0	$0.00	$0.00	$0.00

Medium Facility

	Non-Related Party				Related Party				Related Party and Non-Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	Total Compensation	Average Staff Rate	Average Contract Rate	Average Mileage Reimbursement per Mile
A	B	C	D	E	F	G	H	I	J	K	L	M (C+E+G+I+J+L)	N [(C+G)/(B+F)]	O [(E+I)/(D+H)]	P (L/K)
Residential - Attendant												$0	$0.00	$0.00	$0.00
Day Habilitation - Attendant												$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	0	$0	$0	$0.00	$0.00	$0.00

Save | Save and Return | Cancel

<u>Columns B-E: Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment:</u> These columns are for non-related party attendants ONLY. All related-party attendants must be entered through ***Step 6b*** above. For each facility size (Small, Medium and Large) and for each attendant staff type (Residential and Day Habilitation) enter hours, wages and contract compensation for non-related party employees and contract staff who meet the definition of an attendant. See **DEFINITIONS**, *<u>ATTENDANT CARE</u>*. Only employee and contracted staff who meet the definition of attendant may be reported in these cost items.

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

SPECIAL NOTE RELATING TO REPORTING OF CONTRACTED DAY HABILITATION.

If the provider has Attendant personnel who work in their Day Habilitation facility and are paid as an attendant on a contract basis, they may be reported here as Contracted Staff.

If the staff are paid the full Day Habilitation rate, and not just an attendant portion, then treat them either as if they are a 3rd-party Day Habilitation entity or as if they are a related-party Day Habilitation entity depending on the relationship.

- If the provider contracts with a related-party Day Habilitation entity, report the properly allocated Attendant costs here as if they were the provider's own staff. The other properly allocated costs of the related-party Day Habilitation entity will be reported in the correct areas Non-Attendant staff costs in ***Step 6d*** (***Non-Attendant Non-Related Party Wages and Benefits),*** Administrative staff costs in ***Step 6e (Administrative and Operations Personnel Wages and Benefits)*** and all other costs in ***Step 8.***
- If the provider is contracted with a 3rd-party Day Habilitation Entity, then reporting will depend on the answer in ***Step 4*** as to whether or not the provider is a participating provider in Rate Enhancement.
    - If provider is **NOT** a participant, then all 3rd-party contracted Day Habilitation costs will be reported in ***Step 8f***. See ***Step 8f***, Item 27 below.
    - If provider **IS** a participant, then provider is required to report all days and payments to the third-party contractor in ***Step 8f***. See ***Step 8f***, Item 28 below.

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

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

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

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

Note: COSTS THAT ARE NOT EMPLOYEE BENEFITS Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of meals and room-and-board furnished to direct care staff, uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items in ***Step 8f***, unless they are subject to payroll taxes, in which case they are to be reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III)(-e-) and instructions on meals for staff, supplies for staff meal preparation, staff personal vehicle mileage reimbursement and housing costs for live-in staff for further direction on the correct reporting of these costs.

Columns K and L: Miles Traveled and Mileage Reimbursement: These columns are for BOTH related and non-related party employee attendant staff. For all attendants, by facility size and staff type, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation includes mileage and reimbursements of attendant staff who transport individuals to/from services and activities of the ICF/IID in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. Allowable travel and transportation also includes mileage and reimbursements of attendant staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 2/1/13 – 12/31/13 56.5 cents per mile
- 1/1/14 – 12/31/14 56.0 cents per mile

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

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

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

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

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

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

6.d. Non-Attendant Wages and Benefits

Save | Save and Return | Cancel

Small Facility

	Non-Related Party				Related Party							
Type	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Total Compensation	Average Staff Rate	Average Contract Rate	Average Contract Rate (Per Day)
A	B	C	D	E	F	G	H	I	J (C+E+G+I)	K [(C+G)/(B+F)]	L [(E+I)/(D+H)]	
Residential - Non Attendant									$0	$0.00	$0.00	$0.00
Day Habilitation - Non Attendant									$0	$0.00	$0.00	$0.00
Registered Nurses (RN)									$0	$0.00	$0.00	$0.00
Licensed Vocational Nurses (LVN)									$0	$0.00	$0.00	$0.00
QMRP									$0	$0.00	$0.00	$0.00
Psychology									$0	$0.00	$0.00	$0.00
Therapies									$0	$0.00	$0.00	$0.00
Dietary Staff									$0	$0.00	$0.00	$0.00
Social Work									$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	$0.00	$0.00	$0.00

Medium Facility

	Non-Related Party				Related Party							
Type	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Total Staff Hours	Total Staff Wages	Total Contract Hours	Total Contract Payment	Total Compensation	Average Staff Rate	Average Contract Rate	Average Contract Rate (Per Day)
A	B	C	D	E	F	G	H	I	J (C+E+G+I)	K [(C+G)/(B+F)]	L [(E+I)/(D+H)]	
Residential - Non Attendant									$0	$0.00	$0.00	$0.00
Day Habilitation - Non Attendant									$0	$0.00	$0.00	$0.00
Registered Nurses (RN)									$0	$0.00	$0.00	$0.00
Licensed Vocational Nurses (LVN)									$0	$0.00	$0.00	$0.00
QMRP									$0	$0.00	$0.00	$0.00
Psychology									$0	$0.00	$0.00	$0.00
Therapies									$0	$0.00	$0.00	$0.00
Dietary Staff									$0	$0.00	$0.00	$0.00
Social Work									$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	$0.00	$0.00	$0.00

Benefits

	Non-Related & Related Party				
Facility	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement	TOTAL	Average Mileage Reimbursement per Mile
	B	C	D	E (B+D)	F (D/C)
Small				$0	$0.00
Medium				$0	$0.00
TOTAL	$0	0	$0	$0	$0.00

Save | Save and Return | Cancel

<u>For the upper sections (by facility type – only facility types contracted by the provider will be visible): Columns B-E: Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment:</u> These columns are for non-related party staff of the listed staff types only. Compensation for administrative staff types will be collected in a separate Step of the cost report. All related-party staff must be entered through ***Step 6b*** above. For each facility size (Small, Medium and Large) and for each staff type enter hours, wages and contract compensation for non-related party employees and contract staff. See staff type descriptions below. All staff reported here perform either non-attendant resident care or indirect care functions.

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

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

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

- **Residential – Non Attendant** – includes first-line supervisors of attendants and other direct Residential staff who do not meet the definition of an attendant and are not otherwise captured in this Step. This can include medical records, resident care training, central supply staff (unless they are classified as central office or administrative staff) and laundry and housekeeping staff. This category does not include any staff above first-line supervisors of attendant, laundry and housekeeping staff. Such staff must be reported in ***Step 6e*** as appropriate.
    - *Resident care training staff* are staff who provide training to attendant and nonattendant direct care staff.
        - Do not include the hours and compensation for the training of administrative, maintenance, and other non-resident care staff. Those costs will be reported in ***Step 6e*** in the Program Administration or Central Office cost area as appropriate).
        - If a trainer spends part of his/her time as a trainer and part performing non-training duties, the salary and wages must be properly direct costed between the two functions based upon continuous daily timesheets.
        - Hours and compensation earned by the staff who are being trained will be reported in the appropriate Attendant or Nonattendant staff hours and compensation items.
- **Day Habilitation – Non-Attendant** – includes first-line supervisors of day habilitation attendants and other direct Day Habilitation staff who do not meet the classification of attendant and are not otherwise captured in this Step. This would include staff, as described above in *Resident care training staff*, which provide training to Day Habilitation attendants and other direct Day Habilitation staff. This category does not include any staff above first-line supervisors of attendants. Such staff must be reported in ***Step 6e*** in the Program Administration or Central Office cost area as appropriate.
- **Registered Nurses and Licensed Vocational Nurses** – includes all such staff involved in the direct provision of skilled nursing to residents, direct oversight of delegated nursing activities or indirect activities such as charting and medication preparation directly related to the direct activities. Graduate Vocational Nurses (GVNs) should be reported as LVNs. Supervisors of these staff must be reported in Program Administration or Central Office as appropriate.
- **QIDP** – includes QIDP and Assistant QIDP (where directly supervised by a QIDP).
- **Psychology** – includes psychologists and behavior specialists. This category does not include first-line supervisors of behavioral support staff. Such supervisors must be reported in ***Step 6e*** in the Program Administration or Central Office cost area as appropriate.

- **Therapies** – includes all therapeutic services for residents as required by their service plan such as speech, occupational or physical therapy. This category does not include first-***line supe***rvisors of therapy staff. Such supervisors must be reported in ***Step 6e*** in **the Progr**am Administration or Central Office cost area as appropriate.
- **Dietary Staff** – includes dietitian, food service workers and their first-line supervisors and any other food se***rvice st***aff who are involved in direct dietary services for residents.

    - ***Allocati***on of Shared Dietary/Central Kitchen Expenses
      A central kitch*e*n is defined as a kitchen that provides meals and/or snacks to more than one contract, component code program, or business entity. If the provider had a central kitchen that prepared meals for more than one business entity or ICF/IID component code, the cost report preparer CANNOT report the expense of the meals provided for this ICF/IID 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. Dietary Staff wages and compensation in this cost item and facility, equipment, food and dietary supplies expenses in ***Step 8.***

      If dietary care services are shared by more than one business component (e.g., with an adult day care, residential care, independent living and/or child day care) or multiple ICF/IIDs, the shared dietary costs must be properly allocated. If the services are provided by a central kitchen, see ***APPENDIX C - Allocation of Shared Dietary/Central Kitchen*** for details as to proper allocation of these expenses.

- **Social Work -** an individual who has at least a bachelor's degree in social work or similar professional qualifications, which include a minimum educational requirement of a bachelor's degree. Expenses for services provided by a Licensed Professional Counselor (LPC) are unallowable. This category does not include first-line supervisors of social work staff. Such supervisors must be reported in ***Step 6e*** in the Program Administration or Central Office cost area as appropriate.

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

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

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

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

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

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

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

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

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

The maximum allowable mileage reimbursement is as follows:

- 2/1/13 – 12/31/13 56.5 cents per mile
- 1/1/14 – 12/31/14 56.0 cents per mile

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

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

Step 6e Administrative and Operations Personnel Wages and Benefits

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

6.e. Administrative and Operations Personnel Wages and Benefits

Save | Save and Return | Cancel

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

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

Save | Save and Return | Cancel

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

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

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

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

- **Administrator** – All ICF/IIDs are expected have an Administrator. The minimum time expected to be reported is 520 hours per year. If the Administrator is not compensated for time worked or does not provide the expected hours of service, then an explanation will be required.
- **Assistant Administrator** – Enter hours and compensation for the assistant administrator, if such staff are contracted or employed by provider.
- **Owner** – Enter here only if an Owner, Partner, or Stockholder is employed in an administration position other than Facility Administrator, Assistant Administrator, or central office employee.
- **Other Administrative Staff** – Enter here any other professional and nonprofessional administrative personnel such as Financial, Clerical, Human Resources, etc. staff.
- **Other Facility & Operations (including Maintenance and Transportation) –** Enter here the hours and compensation for maintenance staff, transportation staff who were NOT reported as attendants and any other staff not otherwise captured as Attendants, Non-Attendants, Program Administration or Central Office staff.
- **Central Office Staff –** Enter here the allocated portion of shared administrative staff. If the Administrator has been allocated to the cost report from the central office, assure that the portion of costs reported as Administrator above is not also reported in this line item.

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

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

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

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

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

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

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

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

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

The maximum allowable mileage reimbursement is as follows:

- 2/1/13 – 12/31/13 56.5 cents per mile
- 1/1/14 – 12/31/14 56.0 cents per mile

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

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

Step 7 PAYROLL TAXES AND WORKERS' COMPENSATION

Report costs for all staff in this Step. Report costs for attendant staff, non-attendant / program administration (non-central office) employees and central office employees separately

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

7. Payroll Taxes and Workers' Compensation

Enter Payroll Taxes and Workers' Compensation...

Save | Save and Return | Cancel

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs?	Yes No
Is your entity a Texas Workforce Commission Reimbursing Employer (e.g., not required to pay quarterly taxes to the Texas Workforce Commission (TWC for unemployment coverage)?	Yes No

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

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

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

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

FICA & Medicare Payroll Taxes:
Report the cost of the employer's portion of these taxes. Do not include the employee's share of the taxes. Unless the provider has indicated that they participate in a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs or the provider has reported staff who are paid in excess of the FICA Wage Limit ($113,700 for 2014), this amount must equal 7.65% of reported wages.

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

Workers' Compensation Premiums:
If the facility is a subscriber to the Workers' Compensation Act, report here the Worker's Compensation insurance premiums paid to the provider's commercial insurance carrier. If the effective period of the provider's Workers' Compensation insurance policy does not correspond to the provider's fiscal year, it will be necessary to prorate the premium costs from the two policy periods falling within the provider's reporting period to accurately reflect the costs associated with the 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. The Texas Workers' Compensation Commission audits traditional Workers' Compensation insurance policies yearly and annual adjustments must be properly applied to the cost-reporting period on a cash basis.

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

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

Workers' Compensation Paid Claims:
If the provider was not a subscriber to the Workers' Compensation Act (i.e., traditional workers' compensation insurance policy), and paid workers' compensation claims for employee on-the-job injuries, report the amount of claims paid. Also report the part of any workers' compensation litigation award or settlement that reimburses the injured employee for lost wages and medical bills here unless the provider is ordered to pay the award or settlement as back wages subject to payroll taxes and reporting on a W-2, in which case the cost should be reported in **Step 6**. Note that only the part of the litigation award or settlement that reimburses the injured employee for lost wages and medical bills is allowable on this cost report. If the provider maintained a separate bank account for the sole purpose of paying workers' compensation claims for employee on-the-job injuries (i.e., a nonsubscriber risk reserve account), the contributions made to this account are not allowable on the cost report. This type of arrangement requires that the contracted provider be responsible for payment of all its workers' compensation claims and is not an insurance-type account or arrangement. A nonsubscriber risk reserve account is not required to be managed by an independent agency or third party. It can be a separate checking account set aside by the contracted provider for payment of its workers' compensation claims. However, only the amount for any claims paid should be reported on the cost report, not the amount contributed to any (reserve) account. There is a cost ceiling to be applied to allowable self-insurance workers' compensation costs or costs where the provider does not provide total coverage and that ceiling may limit the costs, which may be reported. See 1 TAC §355.103(b)(13)(B) and 1 TAC §355.105(b)(2)(B)(ix) and ***APPENDIX.E: - Self-Insurance.***

Step 8 FACILITY AND OPERATIONS COSTS

Step 8a General Information

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

8.a. General Information

Save | Save and Return | Cancel

Do you have any asset or operations-related self-insurance expenses to report on this cost report?	Yes No
Please select Yes or No for all of the following self-insurance expenses.	
Buildings and Contents	Yes No
General Liability	Yes No
Professional Malpractice	Yes No
Vehicles	Yes No
Attach TDPS Certificate or Self-Insurance	Select file --- or upload new file
Other	Yes No
Are all expenses associated with residential program room and board (including client-paid expenses) fully captured and included on this cost report?	Yes No
Were any supplies or non-depreciable equipment purchased or leased from a related party?	Yes No
Were there any related-party loans?	Yes No
Were there any related-party contracted services other than Day Habilitation?	Yes No
Do you have related-party Day Habilitation expenses?	Yes No
Please explain	

Save | Save and Return | Cancel

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

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

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

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

Do you have related-party contracted Day Habilitation expenses?
Click either "Yes" or "No". If "Yes", see **SPECIAL NOTE RELATING TO REPORTING OF CONTRACTED DAY HABILITATION** in ***Step 6c***.

Steps 8b-8d Related-Party Transactions

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

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

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

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

EXCEPTIONS TO THE RELATED-PARTY RULE

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

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

2. A majority of the supplying organization's business activity of the type carried on with the contracted provider is transacted with other organizations not related to the contracted provider and the supplier by common ownership or control. See 1 TAC §355.102(i)(5)(B).

3. There is an open, competitive market for the type of services, equipment, facilities, leases, or supplies furnished by the related organization. See 1 TAC §355.102(i)(5)(B).

4. The services, equipment, facilities, or supplies are those which commonly are obtained by entities such as the contracted provider from other organizations and are not a basic element of contracted care ordinarily furnished directly to individuals by such entities. See 1 TAC §355.102(i)(5)(C).

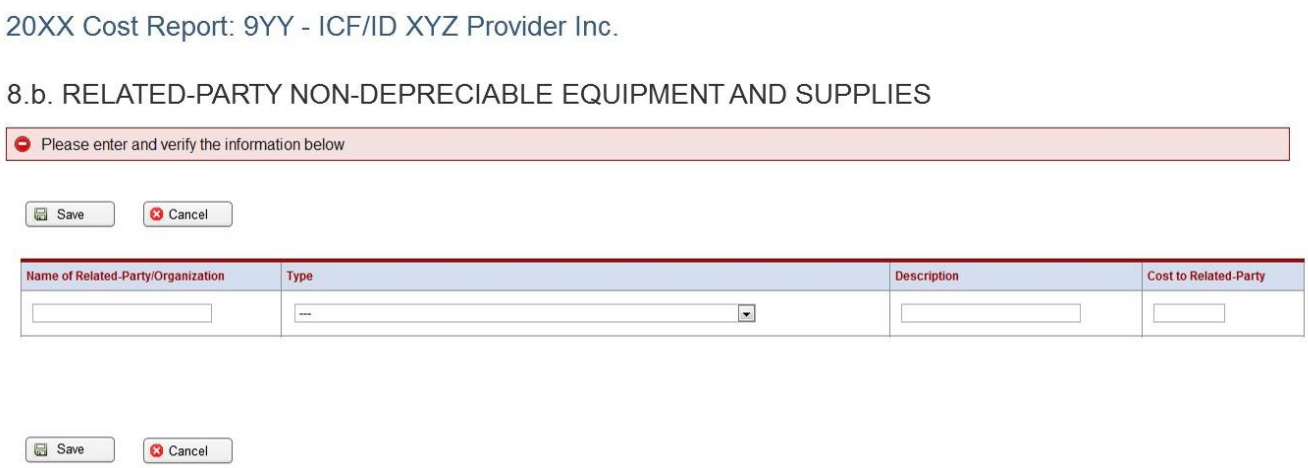
5. The charge to the contracted provider is comparable to open market prices and does not exceed the charge made to others by the organization for such services, equipment, facilities, leases or supplies. See 1 TAC §355.102(i)(5)(D).

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

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

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

1. *Click "Add record"*



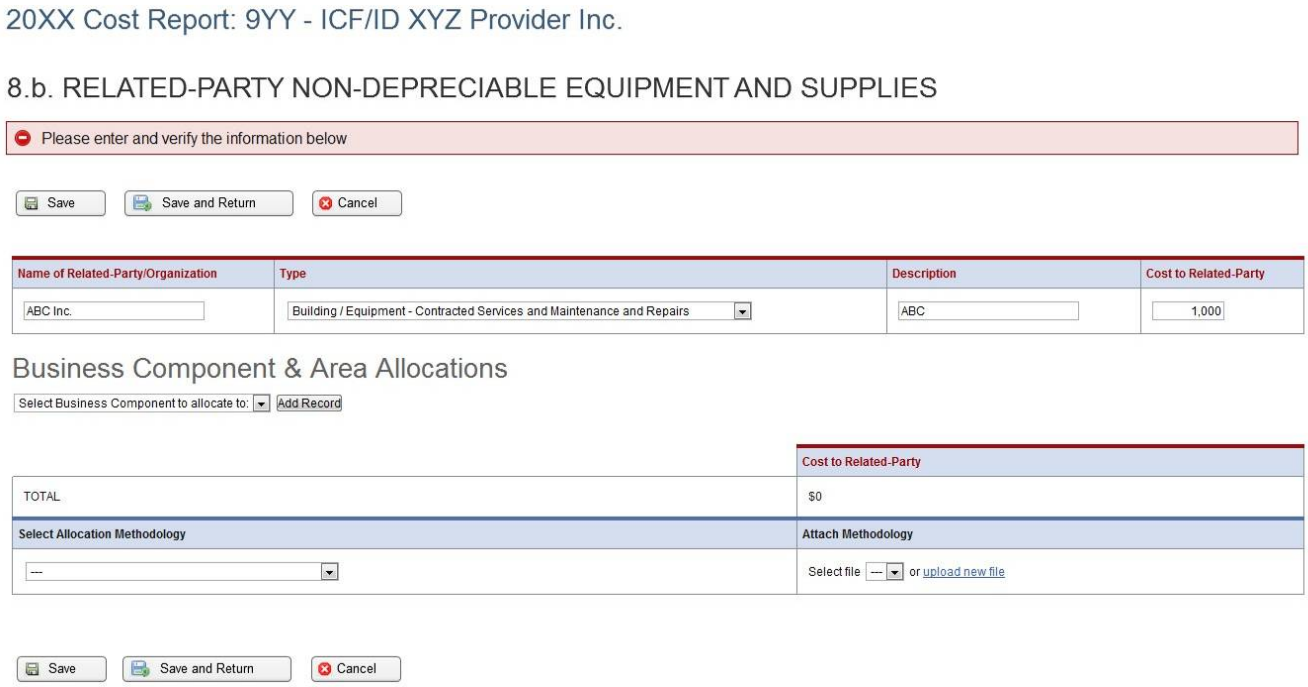
All columns must be completed for each related-party transaction.

A. Name of Related-Party/Organization – Enter the name of the related party or organization from whom the contracted ICF/IID purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.

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

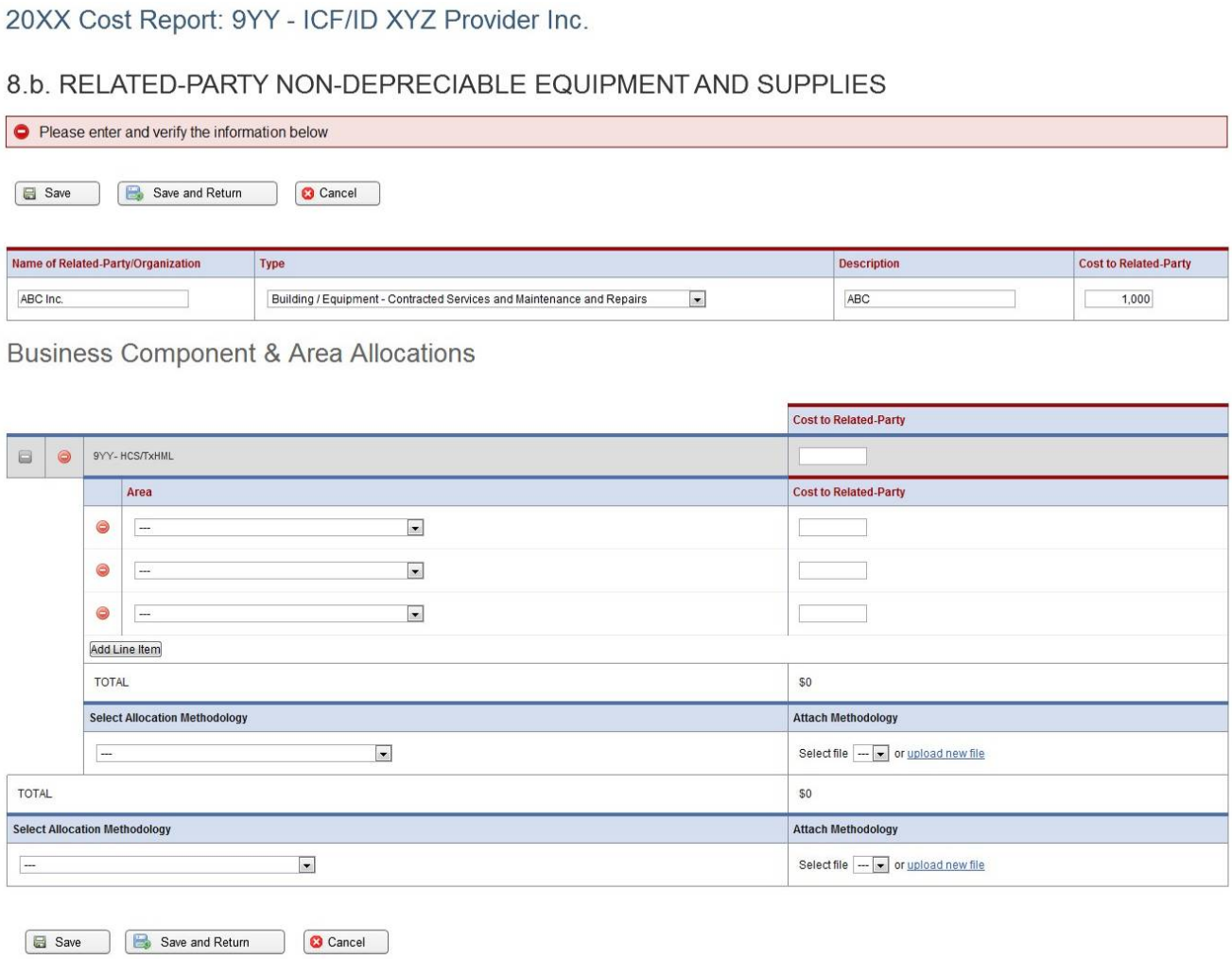
2. *Click "Save" to enter Business Component and Cost Area Allocation(s)*

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



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

3. *Enter all Cost Area Information*



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

Step 8c Related-Party Loans

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

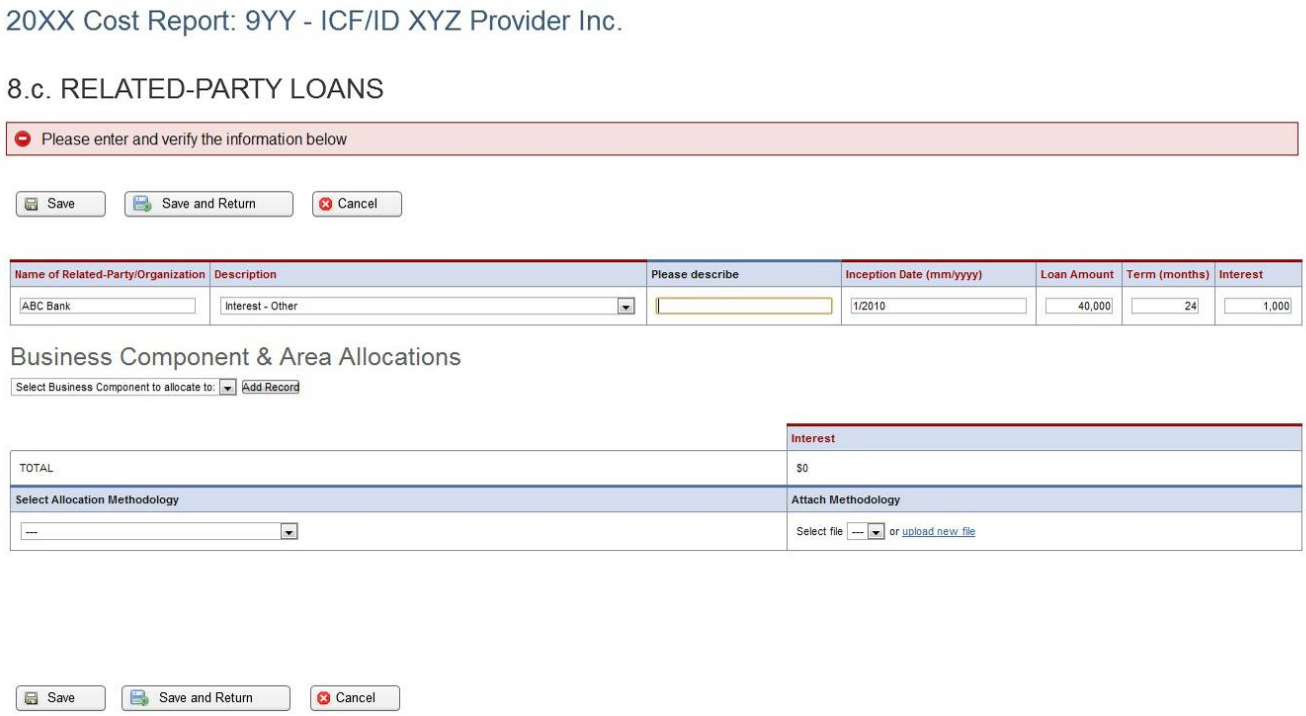
1. *Click "Add record"*

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

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

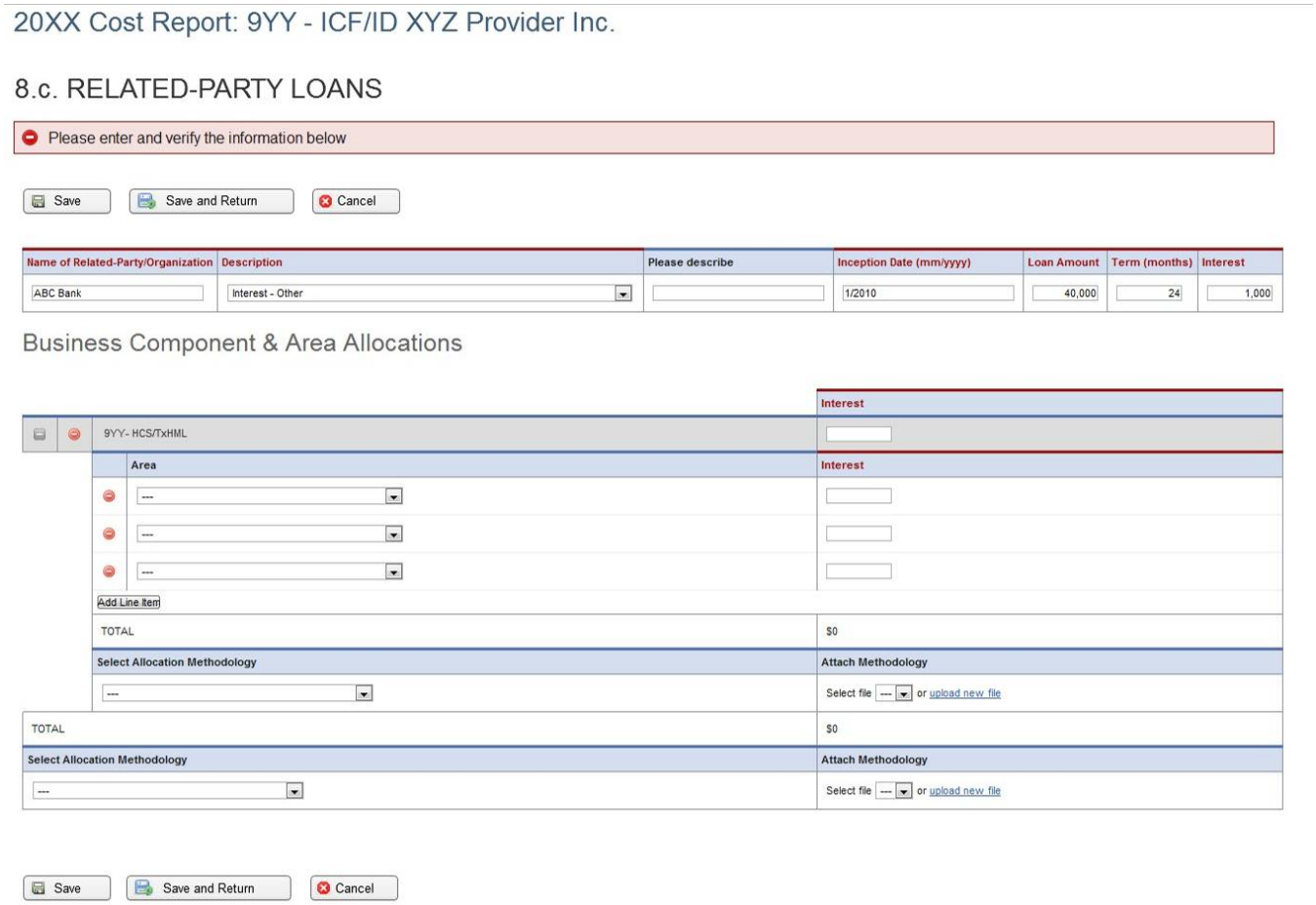
2. *Click "Save" to enter Business Component and Cost Area Allocation(s)*

The available business components are limited to the businesses and contracts entered in the ***Step 3***. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop down menu, then the preparer should return to ***Step 3b*** and enter the missing business component data. Allocate or direct cost all interest reported for the Related Party/Organization to a business component before proceeding. If allocated, an allocation method must be chosen and an allocation summary uploaded.



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

3. Enter all Cost Area Information



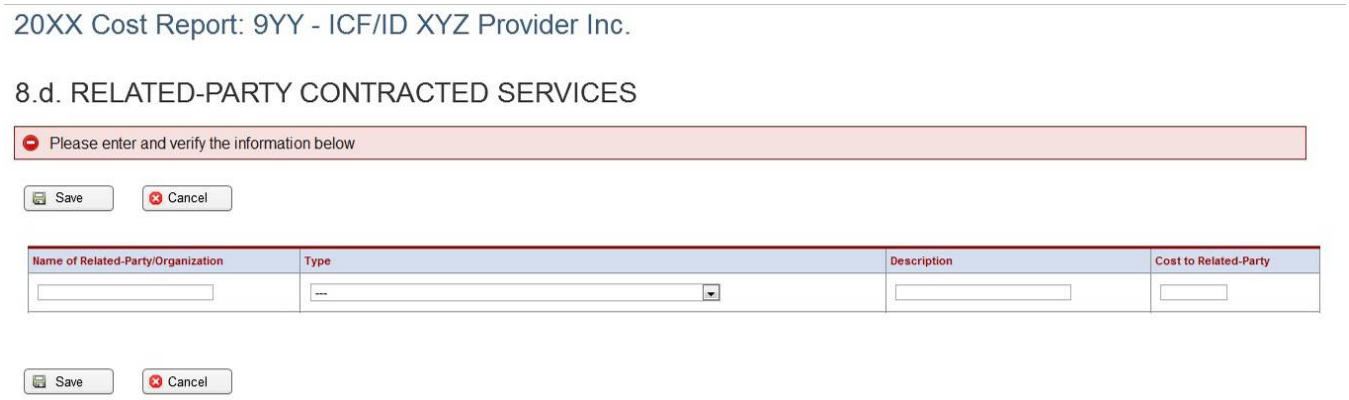
A. Interest – On the grey bar, enter the allowable interest expense allocated or direct costed to each business component.
B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See ***Step 8f*** for a detailed discussion of Cost Areas. Central Office may only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

Step 8d Related-Party Contracted Services

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

If the provider is participating in the ICF/IID Day Habilitation Services Attendant Compensation Rate Enhancement program and the related organization is providing Day Habilitation Services, do not report any costs here. The Day Habilitation Attendant staff of the related organization allocable to the contracted provider must be reported in either ***Step 6c*** or ***Step 6b*** (if the attendants are, themselves, related parties). All other expenses allocable from the related-party organization to this ICF/IID component must be reported in the applicable cost area and line items for either staff or facility and operations.

1. *Click "Add record"*

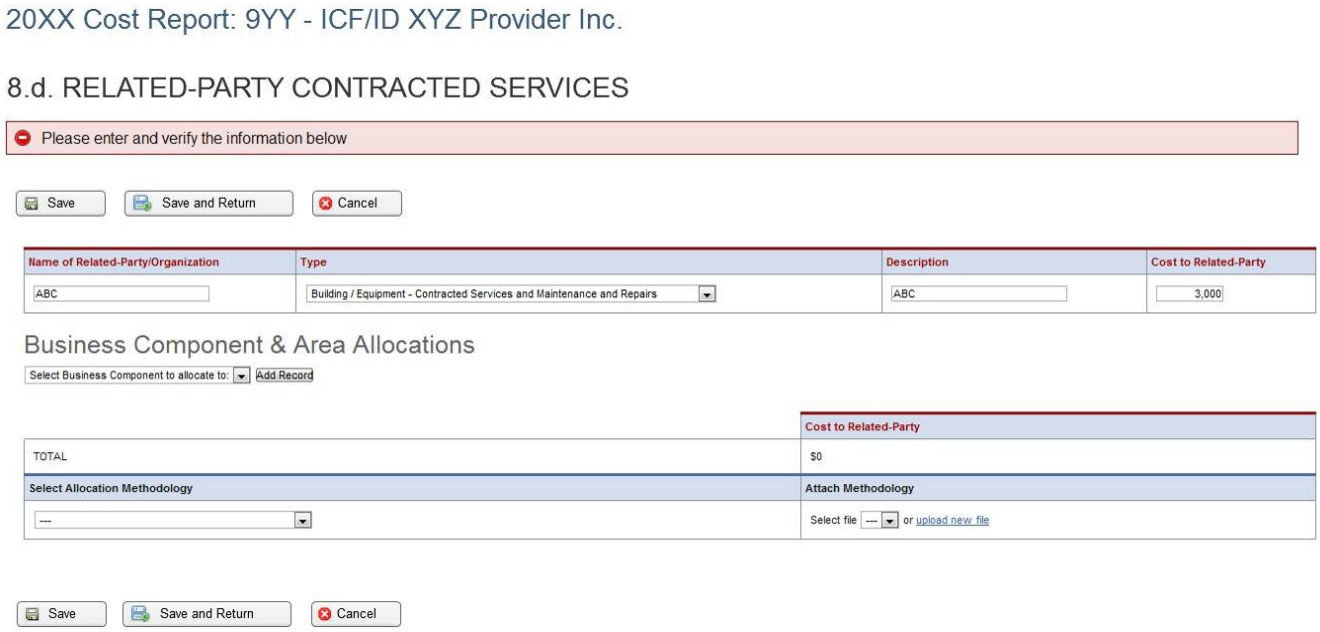


All columns must be completed for each related individual or organization.

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

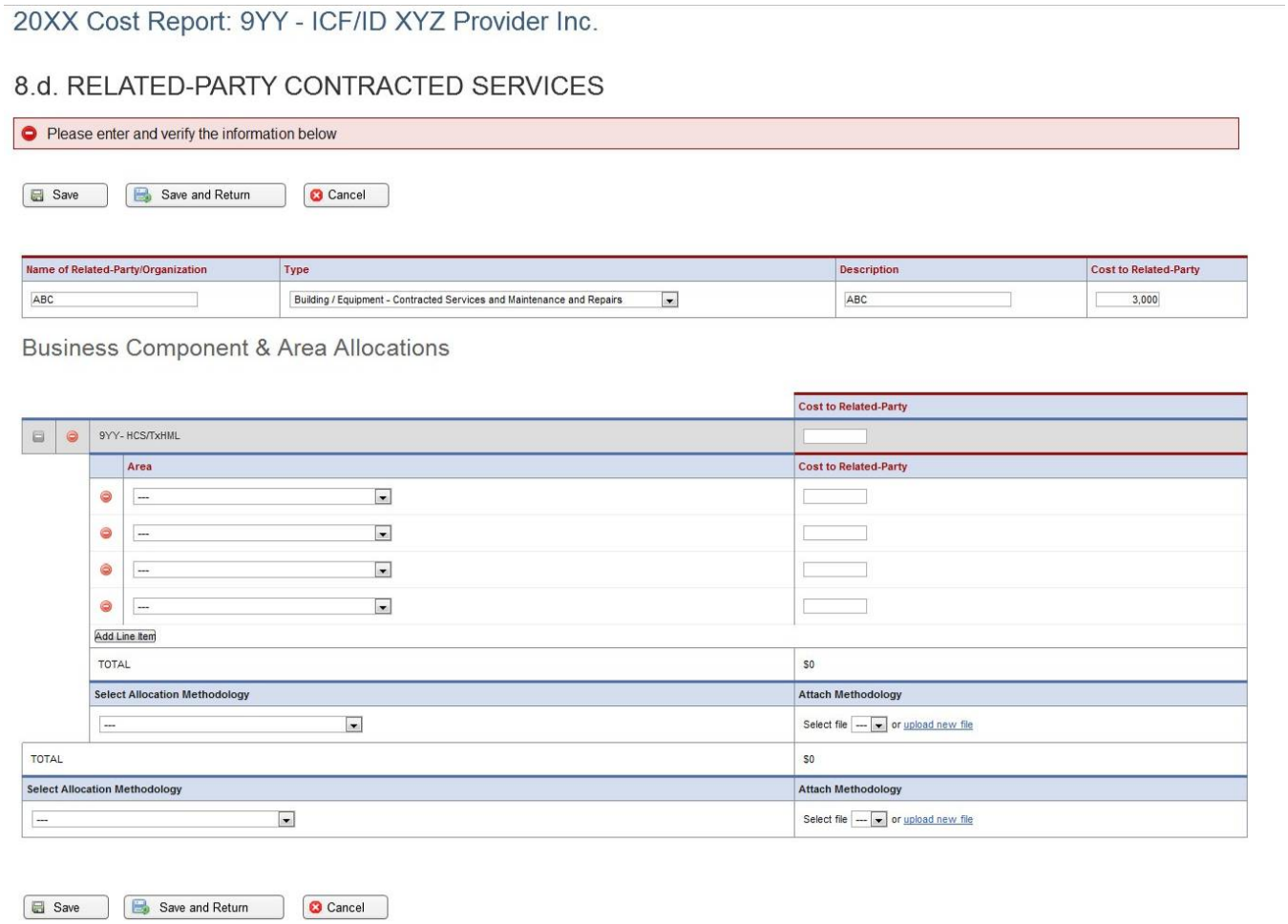
2. Click "Save" to enter Business Component and Cost Area Allocation(s)

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



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

3. Enter all Cost Area Information



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

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

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

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

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

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

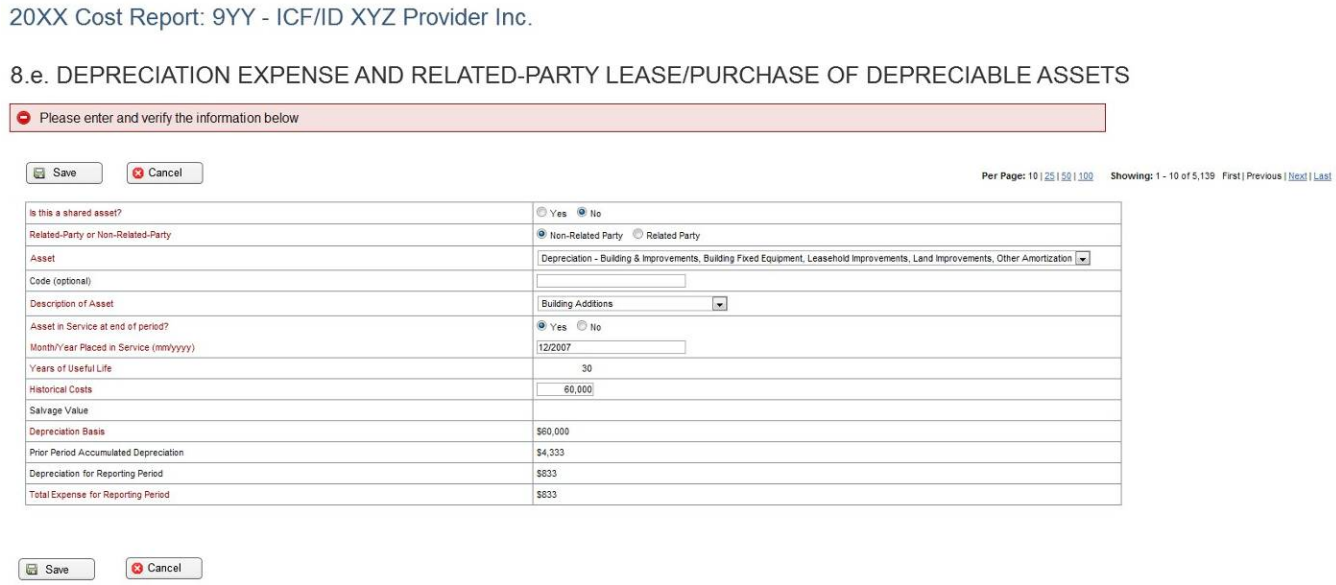
NOTES

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

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

Required detail must be provided for each depreciable asset and each depreciable asset will be assigned a correct estimated useful life as required by 1 TAC §355.103(b)(10)(A-C).

1. *Click "Add Record"*



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

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

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

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

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

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

life of the building improvements. Providers who rent or lease their building must report any building improvement depreciation as leasehold improvement depreciation.

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

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

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

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

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

c) ***Depreciation: Transportation Equipment:*** equipment used for the transport of individuals in care, 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 individuals in care, staff, or provider supplies are unallowable costs. This includes motor homes and recreational vehicles, sports automobiles, motorcycles, heavy trucks, tractors and equipment used in farming, ranching and construction. Lawn tractors are to be reported as departmental equipment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Copies of this publication may be obtained by contacting:

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

For Used Vehicles, determine the required useful life and enter that. Per 1 TAC 355.103(b)(10)(C)(ii), "The estimated life of a previously owned (used) vehicle is the longer of the number of years remaining in the vehicle's depreciable life or three years. For example, if a 20113 van were purchased in 2014, it would have four years remaining in its five-year depreciable life and that would become the depreciable life for the used vehicle. If a 2013 minivan were purchased in 2014, it would have two years remaining in its three-year depreciable life and the depreciable life for the used vehicle would then be three years."

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

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

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

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

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

Please enter and verify the information below

Save | Save and Return | Cancel

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

Business Component & Area Allocations

Select Business Component to allocate to: Add Record

	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
83X - HCS/TxHmL	Yes	12/2007		100	$833
TOTAL				100.00%	

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

Save | Save and Return | Cancel

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

3. Enter all Cost Area Information

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

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

Please enter and verify the information below

Save | Save and Return | Cancel

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

Business Component & Area Allocations

	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
9YY- HCS/TxHML	Yes	12/2007		100	$833
Area	**Asset in Service at end of period?**	**Month/Year Placed in Service (mm/yyyy)**	**Month/Year Removed from Service (mm/yyyy)**	**Allocation %**	**Expense for Reporting Period**
---	No				
---	No				
---	No				
Add Line Item					
TOTAL				0.00%	
Select Allocation Methodology			**Attach Methodology**		
---			Select file --- or upload new file		
9YY- ICF/ID	Yes	12/2007			
Area	**Asset in Service at end of period?**	**Month/Year Placed in Service (mm/yyyy)**	**Month/Year Removed from Service (mm/yyyy)**	**Allocation %**	**Expense for Reporting Period**
---	Yes	12/2007			
Add Line Item					
TOTAL				0.00%	
Select Allocation Methodology			**Attach Methodology**		
---			Select file --- or upload new file		
TOTAL				100.00%	
Select Allocation Methodology	**Attach Methodology**				
---	Select file --- or upload new file				

Save | Save and Return | Cancel

A. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See ***Step 8f*** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See **DEFINITIONS**, *CENTRAL OFFICE*.

B. Asset in Service at End of Period? – The response for the cost area will default to "Yes" if the business component information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single cost area, but not for all. The allocation of an asset may also change throughout a year. This question allows for flexibility in how asset allocation may change throughout a year.

C. Month/Year Placed in Service – Enter the month and year the asset was initially placed in service for depreciation purposes for this specific cost area.
D. Month/Year Removed from Service – If the asset was removed from service for this cost area during the current year, then enter the month and year that the asset was removed from service.
   - The two lines above (c and D) also allow for changes in allocation percentages throughout the year. By entering an end date at the point where the allocation changes and adding an additional record with a new 'placed in service date' for the new allocation period, the usage changes will be taken into account in the calculation of the depreciation below.
E. Allocation % – The percentage of the costs to be allocated to this specific cost area.
F. Expense for Reporting Period – Calculated figure based on the percentage(s) entered.
G. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
H. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen and an allocation summary uploaded.

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

This screen consists of a column for the Line Item Names and six columns for Nonrelated-Party Cost Areas and six columns for Related-Party Cost Areas, a column to Total all expenses in each line item and a column for notes. The seven columns each for Nonrelated- and Related-Party Cost Areas correlate to the three sizes of ICF/IID facilities (Small, Medium and Large), Day Habilitation, Program Administration and Central Office, plus a Total. Facility and Operations costs should be reported if the Provider owns/operates its own Residential facility and/or Day Habilitation facility or has a Program Administration office (even if that office shares space with the Residential or Day Habilitation building). Even if building/facility costs are paid by/through a central office, the portion of the building/facility and operations costs directly related to the ICF/IID contract should be reported in the specific cost area as appropriate. These cost areas are intended for the reporting of facility and operations costs that directly support the ICF/IID component code for which the cost report is being prepared. It is important to report all costs in the correct cost area.

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

Cost Areas

<u>Residential Small, Medium and Large</u>

- The costs directly attributable to each residence size should be reported discreetly.
- <u>Housing Costs for live-in staff.</u> Sometimes homes will have staff who live in the home with the residents either full- or part-time. Unless it is reported as taxable wages and subject to payroll taxes, the value of the housing and meals for these staff cannot be reported in ***Step 6***. The cost should not be separated from the other building, utility and food costs. Just report the actual costs for the building, utilities and food unless the staff person reimburses the provider for the

room and board cost. In the case of reimbursement, such reimbursed costs are not allowable on the cost report.

Day Habilitation

- If the ICF/IID provides some or all of the day habilitation services for residents and does not also utilize those facilities and/or staff in providing day habilitation services for individuals being served by other of its own component codes, other ICF/IID providers or **other** programs (i.e. HCS), then the costs will be reported directly in the Day Habilitation cost area with no need for allocation.
- If, however, the ICF/IID provides some or all of the day habilitation services for residents but also utilizes those facilities and/or staff in providing day habilitation services to individuals in other of its own component codes, other ICF/IID providers or other programs (i.e. HCS), then the provider must allocate all shared costs between the entities and/or programs. This must be done through use of a functional method of allocation. The most accurate is to utilize the provider's census records to determine the hours each individual was present in the day habilitation program and develop a percentage of the time individuals in this ICF/IID component code were provided day habilitation services as compared to the total time all individuals were receiving day habilitation services. If such records are not available, then the days or partial days of service provided may be substituted.

Program Administration & Operations

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

Central Office

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

20XX Cost Report: 9YY - ICF/ID XYZ Provider Inc.

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

Save | Save and Return | Cancel

	Non-Related Party						Related Party							
Type	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Non-Related-Party Total	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Rent / Lease - Building and Building Equipment						$0						$0	$0	
Rent / Lease - Departmental Equipment / Other						$0						$0	$0	
Interest - Mortgage						$0						$0	$0	
Insurance - Building and Equipment						$0						$0	$0	
Taxes - Ad Valorem Real Estate						$0						$0	$0	
Utilities & Telecommunications						$0						$0	$0	
Building / Equipment - Contracted Services and Maintenance and Repairs						$0						$0	$0	
	Non-Related Party						Related Party							
Type	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Non-Related-Party Total	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization						$0						$0	$0	
Depreciation - Departmental Equipment						$0						$0	$0	
Resident Care and Operations Supplies						$0						$0	$0	
Food and Dietary Supplies						$0						$0	$0	
Depreciation - Transportation Equipment						$0						$0	$0	
Rent / Lease - Transportation Equipment or Contracted Transportation Services						$0						$0	$0	
Transportation - Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other						$0						$0	$0	
	Non-Related Party						Related Party							
Type	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Non-Related-Party Total	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Staff Training / Seminars						$0						$0	$0	
Insurance - Liability						$0						$0	$0	
Travel (not to include mileage reimbursement)						$0						$0	$0	
Fees - Management Contract						$0						$0	$0	
Fees - Contracted Administrative, Professional, Consulting and Training Services						$0						$0	$0	
Licenses and Permits						$0						$0	$0	
Interest - Other						$0						$0	$0	
	Non-Related Party						Related Party							
Type	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Non-Related-Party Total	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Quality Assurance Fee						$0						$0	$0	
Taxes - Texas Corporate Franchise Tax						$0						$0	$0	
Taxes - Other (describe)						$0						$0	$0	
Advertising						$0						$0	$0	
Dues and Memberships						$0						$0	$0	
Non-Related Party Day Habilitation Contract for Non-Participants in the attendant Compensation Rate Enhancement. Enter Days of Service						$0						$0	$0	
Non-Related Party Day Habilitation Non-Attendant Contract for Participants in the Attendant Compensation Rate Enhancement. Enter Days of Service						$0						$0	$0	
	Non-Related Party						Related Party							
Type	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Non-Related-Party Total	Small Residential	Medium Residential	Day Habilitation	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Other (describe)						$0						$0	$0	
TOTAL	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	

Save | Save and Return | Cancel

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

1. Rent/Lease – Building and Building Equipment
   A. Report ICF/IID building and building equipment lease/rental costs in this item.
   B. If the rental/lease of a building is from a related party, do not enter directly here. The lease and related costs must be entered in ***Step 8e***. The calculated cost to the related party will be transferred here.
   C. If the rental/lease of building equipment is from a related party, do not enter directly here. The lease must be entered in ***Step 8b*** if the building equipment is non-depreciable (items costing less than $2,500 or with a useful life of less than one year) or ***Step 8e*** if the building equipment is depreciable (items with a cost of $2,500 or more and a useful life of more than one year).
   D. Lease deposit payments are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded and used for allowable costs is allowable for cost-reporting purposes at that time. Lease deposits made for remodeling and purchase of replacement items/fixtures are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded and used for allowable remodeling and purchase of replacement items/fixtures is allowable for reporting as repairs/maintenance or depreciation, whichever appropriate.
   E. Lease deposit payments made for goodwill (see **DEFINITIONS**, *GOODWILL*) are not allowable costs.
2. Rent/Lease – Departmental Equipment/Other – Report the lease/rental costs of departmental equipment. Departmental equipment would include items such as telephone systems, pagers, facsimile (FAX) machines, photocopiers, and computers.
   A. If the rental/lease is from a related party, do not enter directly here. The lease and related costs must be entered either in ***Step 8b*** if the departmental equipment is non-depreciable (items costing less than $2,500 or with a useful life of less than one year) or ***Step 8e*** if the departmental equipment is depreciable (items with a cost of $2,500 or more and a useful life of more than one year).
3. Interest – Mortgage – See 1 TAC §355.103(b)(11). Reasonable and necessary interest on current and capital indebtedness is an allowable cost.
   A. Report the interest expense accrued from the purchase of a facility (i.e., mortgage interest) in this item. If the provider is a nonprofit entity and issued bonds for the purchase of the facility, report the bond issuance costs in this item.
   B. If a related party funded the loans, do not enter directly here. Enter through ***Step 8c.***
   C. Late payment fees and penalties are unallowable costs.
   D. Interest on vehicle loans should be reported in Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other below.
   E. Interest on working capital loans, departmental equipment loans, loans for the purchase of building improvements, building renovations, and building equipment and other operational notes should be reported in Interest – Other below.
4. Insurance – Building and Equipment
   A. Costs for insurance premiums for buildings, contents, and grounds must be reported with amounts accrued for premiums, modifiers, and surcharges and net of any refunds and discounts actually received or settlements paid during the same cost-reporting period (i.e., the premiums are accrued and related expenses are reported on a cash basis).
   B. Self insurance is a means whereby a contracted provider undertakes the risk to protect itself against anticipated liabilities by providing funds in an amount equivalent to liquidate those liabilities. Self-insurance can also be described as being uninsured. See 1 TAC

§355.103(b)(13)(B) for additional requirements. Contributions to self-insurance funds or reserves that do not represent payments based on current liabilities are unallowable costs. The amount of allowable insurance costs may also be subject to a cost ceiling. See also 1 TAC §355.103(b)(13)(E) and ***APPENDIX E – Self-Insurance***.

5. Taxes – Ad Valorem Real Estate – See 1 TAC §355.103(b)(12). Report in this item the cost of ad valorem real estate taxes related to the ICF/IID buildings – Residential, Day Habilitation, Program Administration and/or Central Office. Tax expenses must be reported on an accrual basis for the cost-reporting period only. If a tax statement covers any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only the cost-reporting period.
   A. Texas corporate franchise taxes are reported in Taxes-Texas Corporate Franchise Tax below.
   B. Personal property taxes and other operational taxes are reported in Taxes – Other below.
6. Utilities & Telecommunications -
   A. Biohazard Waste - Report here in the appropriate area: either Residential or Day Habilitation.
   B. Electricity, Gas, Water, Wastewater, Garbage. See 1 TAC §355.103(b)(8). For utility costs to be allowable on the ICF/IID cost report, the utilities must be used directly or indirectly in the provision of contracted services. Report the costs associated with facility buildings in the appropriate area (Residential, Day Habilitation, etc.).
   C. Telecommunications utility costs associated with the ICF/IID are reported here. Telecommunications refers to the cost for telephone, pager, and facsimile service only and not the cost of purchasing, leasing, or maintaining the associated equipment.
   D. Cable TV costs should be reported Resident Care and Operations Supplies below as an activity supply expense.
7. Building/Equipment – Contracted Services and Maintenance and Repairs
   A. Report expenses for contract services relating to building/grounds repairs and maintenance (including contracted janitorial services, contracted fire alarm inspections, and contracted lawn services) here. See 1 TAC §355.103(b)(3).
   B. Report maintenance supplies related to facility maintenance and non-depreciable repairs and maintenance costs associated with buildings, building equipment and grounds in this item. See 1 TAC §355.103(b)(9).
   C. Maintenance and Repairs – Report the applicable amount of building and equipment maintenance and repair expenses related to this ICF/IID provider. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
      a. Ordinary repairs and maintenance are defined as outlays for parts, labor and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably. Ordinary repairs include, but are not limited to, painting, wallpapering, copy machine repair, or repairing an electrical circuit.
      b. Extraordinary or major repairs involve relatively large expenditures, are not normally recurring, and usually increase the use value or the service life of an asset beyond what it was before the repair. Extraordinary repairs include, but are not limited to, major improvements in a building's electrical system, carpeting an entire building, replacement of a roof, or strengthening the foundation of a building. Extraordinary repairs that cost $1,000 or more and have a useful life in excess of one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in ***Step 8e.*** See 1 TAC §355.103(b)(9)(B).

8. Depreciation – Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization – Enter all buildings, building improvements, building fixed equipment, leasehold improvements, land improvements and amortizable items with a cost of $2,500 or more and a useful life of more than one year in ***Step 8e***. The calculated depreciation will be transferred here.
9. Depreciation – Departmental Equipment – Enter all departmental equipment with a cost of $2,500 or more and a useful life of more than one year in ***Step 8e***. The calculated depreciation will be transferred here.
10. Resident Care and Operations Supplies – for all items of cost, report only net expenses, meaning gross expenses less any purchase discounts, rebates, returns or allowances.
    A. Eyeglasses – When for adults and not covered by the Medicaid program through the Medicaid card and when incurred by the provider, the cost of procuring eyeglasses for an individual may be reported on the cost report. For children, these costs are covered by the Medicaid program through the Medicaid card and are unallowable on the cost report.
    B. The costs of Physician visits (for adults) that are not covered by the Medicaid program through the Medicaid card and that are incurred by the provider may be reported here. For children, these costs are covered by the Medicaid program through the Medicaid card and are unallowable on the cost report.
    C. Dental expenses are covered by the Medicaid program through the individual's Medicaid card and, therefore, cannot be reported on the cost report.
    D. Report here the difference between the purchase or lease cost of DME that met the requirements of 1 TAC §355.455(c) and the amount paid by DADS where the actual cost exceeded the $5,000 limitation.
    E. Report the cost of all non-legend ("over-the-counter") and prescription drugs for Medicaid residents not covered by the Texas Vendor Drug program.
    F. Hepatitis B vaccinations, TB tests, Chest X-rays, Drug Tests, and Physicals – Report under either Program Administration or Central Office (when a properly allocated cost of the Central Office) supplies used to administer Hepatitis B vaccinations to facility staff, as well as costs related to tuberculosis (TB) tests, chest x-rays, drug tests, and physicals.
    G. Laundry and Housekeeping Services, Contracted – Report the costs for contracted laundry and housekeeping services.
    H. Nondepreciable Equipment – Report items which cost less than $2,500 or have a useful life of less than one year as supplies. Report here such nondepreciable equipment used for services (i.e., nursing, medical records, resident care staff training, central supply, laundry/housekeeping, and other resident care services), for program administration and the allocated portion of central office supplies.
        a. Nondepreciable kitchen equipment will be reported in Food and Dietary Supplies below.
        b. Small equipment that costs $2,500 or more and has a useful life of more than one year is considered Departmental Equipment and should be entered as such in ***Step 8e***.
        c. Nondepreciable equipment purchased or leased from a related party may not be reported here directly. Enter in ***Step 8b*** and the allowable costs will be transferred here.
    I. Nutritional Therapy Food Supplies – refers to supplies and non-depreciable equipment associated with total parenteral nutrition (TPN) systems and enteral nutrition (EN) systems that are covered by Medicare as prosthetic devices when certain criteria have been met.
        a. The actual nutritional supplements for TPN and EN systems, as well as nutritional supplements such as "ensure" and "Jevity" should be reported in Food and Dietary Supplies below.

b. Equipment costing less than $2,500 or with a useful life of less than one year and supplies associated with the delivery of these routine nutritional therapy food supplies are to be reported here as routine medical supplies, unless purchased or leased from a related party. In that case, enter through ***Step 8b*** and the allowable costs will be transferred here.
c. Enter equipment that costs $2,500 or more and has a useful life of more than one year associated with the delivery of these routine nutritional therapy food supplies, in ***Step 8e***.

J. Other Resident Care Costs – Report resident clothing; employee benefits not subject to payroll taxes such as uniforms or non-wage incentives, and costs of care (e.g. ambulance services) that are not associated with other expense items.
   a. Pet food expenses and veterinary expenses for pets that reside at an ICF/IID are allowable only if the pet is the property of the ICF/IID, is kept for therapeutic reasons and resides full-time in the facility. Expenses for pets that are the property of a specific individual or group of individuals are not allowable.

K. Oxygen - Include here the expense incurred for providing physician-ordered oxygen to Medicaid-only residents. Equipment costing less than $2,500 or with a useful life of less than one year and supplies associated with the delivery of oxygen may be included here as well (see 10.I.b. above if purchased or leased from a related party).
   a. Enter equipment that costs $2,500 or more and has a useful life of more than one year associated with the delivery of oxygen to residents in ***Step 8e***.

L. Supplies, Activities – Report costs for television cable, if available to all residents, as well as newspaper and magazine subscriptions for resident use in the Residential area. Report supplies for Day Habilitation activities of the provider's own or related-party Day Habilitation program here.
   a. Costs for activities/recreation for individuals are allowable if staff is present and the activity is purposeful and teaches skills.
   b. Christmas/birthday gifts/parties for individuals in care – This is not a covered ICF/IID expense and is, therefore, unallowable. The cost for these activities should come from other sources.

M. Supplies, Laundry and Housekeeping – Report costs for linen and bedding (e.g., sheets, spreads, bath towels, and hand towels) and supplies used by laundry and housekeeping staff.

N. Supplies, Nursing and Medical – Report here supplies including, but not limited to, tongue depressors, swabs, Band-Aids, cotton balls, alcohol, disposable briefs (diapers), personal hygiene items, and nursing reference books. Include on this item medical accessories prescribed by the attending physician (such as canulas, tubes, masks, IV fluids, and IV equipment). Also include on this item alcoholic beverages prescribed by a physician for medicinal purposes. Insulin costs are unallowable and are not to be included on this cost report. Also include personal hygiene items here. Report nursing forms and medical records supplies in this item.
   a. Supplies which are chargeable to Medicare or sources other than Medicaid are not to be included on this item.

O. Supplies, Office – Report office supplies in each setting as appropriate.

P. Supplies, Operational – include non-depreciable equipment required to maintain and repair departmental equipment, garbage cans/bags, and cleaning supplies used to keep operational areas clean.

11. Food and Dietary Supplies – See ***APPENDIX C - Allocation of Shared Dietary/Central Kitchen*** for discussion of reporting Food and Dietary Supplies costs where provider has such shared costs.
    A. Food – Report expenses for fresh, frozen, canned or dried meats, vegetables, fruits, and beverages. Report special dietary supplements such as crackers, cookies, and other snacks.
    B. Meals furnished onsite to attendant staff - Report unrecovered costs of attendant staff meals, which are equivalent to the meals furnished to individuals and are related in that such meals are appropriate and helpful in the provision of care.
        a. Food costs related to meals served to ICF/IID facility guests and reimbursed costs related to meals served to ICF/IID facility employees are unallowable and must be excluded from the cost report. If applicable, see also ***Appendix C - Allocation of Shared Dietary/Central Kitchen.***
    C. Nutritional Therapy Food Supplies – refers to supplies and non-depreciable equipment associated with total parenteral nutrition (TPN) systems and enteral nutrition (EN) systems that are covered by Medicare as prosthetic devices when certain criteria have been met. The actual nutritional supplements for TPN and EN systems, as well as nutritional supplements such as "ensure" and "Jevity" should be reported here.
    D. Meals for residents eaten out of the home – These costs, if otherwise allowable, may be reported here.
    E. Dietary Supplies – Report expenses for dishes, flatware, utensils, paper products, detergents and reference books and other resource materials used to plan meals and provide necessary nutritional services.
    F. Non-depreciable kitchen equipment – Non-depreciable kitchen equipment (that costs less than $2,500 or has a useful life of less than one year) should be included in this item (see 10.I.b. above if purchased or leased from a related party).
        a. Enter kitchen equipment that costs $2,500 or more and has a useful life of more than one year in ***Step 8e***.
12. Depreciation – Transportation Equipment – Enter all transportation equipment with a cost of $2,500 or more and a useful life of more than one year in ***Step 8e***. The calculated depreciation will be transferred here.
13. Rent/Lease – Transportation Equipment or Contracted Transportation Services –
    A. Report ICF/IID transportation equipment lease/rental costs in this item.
    B. Nonrelated-party rental or lease that is not a capital lease is reported here. All related-party rentals and leases and all capital leases, whether related party or not, for transportation equipment that costs $2,500 or more and has a useful life of more than one year must be reported through ***Step 8e***.
    C. Non-depreciable transportation equipment (costing less than 2,500 or with a useful life of less than one year) rented or leased from a related party, must be reported through ***Step 8b.***
    D. Contracted Transportation Services – may be a contract with a local taxi company to transport individuals, monthly passes for individuals on the bus system or other contracts to provide transportation of individuals.
14. Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other – Report transportation expenses related only to the delivery of ICF/IID services. If a vehicle is used for both personal and business use, vehicle logs must be maintained to document and remove expenses related to the personal use.

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

A. Insurance, Vehicle – Report the cost for insurance premiums or, in cases of self-insurance, allowable paid claims for vehicles. Report only the portion of the insurance expense directly related to this ICF/IID contract. See Insurance – Building and Equipment above for details on proper reporting of Insurance expense.
B. Interest, Vehicle Loans – Report the interest from loans for vehicles or for repairs/maintenance of vehicles used in the ICF/IID program. If a related party funded the loan, do not enter directly here. Enter through ***Step 8c***.
C. Property Tax, Vehicles - Report property tax paid on vehicles used in the ICF/IID program.
D. Maintenance, Repairs, Gas and Oil – Report the applicable amount of automobile expenses related to this program. Personal use of vehicles must be documented and removed from the cost report. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
   a. Ordinary transportation equipment repairs and maintenance are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably. Ordinary repairs include tune-ups, oil changes, cleaning, inspections, and replacement of parts due to normal wear and tear (such as tires, brakes, shocks, and exhaust components). Ordinary repairs may be expensed in the year the expense is accrued and reported directly in this item.
   b. Extraordinary or major vehicle repairs involve relatively large expenditures, are not normally recurring, and usually increase the use value or the service life of an asset beyond what it was before the repair. Extraordinary repairs include such things as engine and transmission overhaul and replacement. Extraordinary repairs that cost $1,000 or more and have a useful life in excess of one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in ***Step 8e***. See 1 TAC §355.103(b)(9)(B).
E. Other Transportation Expenses – Expenses such as license tags, parking fees and tolls should be reported in this item. Parking fines or penalties are not allowable costs and should not be in this cost report. Provide an itemization of each category of expense and its associated dollar amount in the Notes section.

15. <u>Staff Training/Seminars</u> – To be allowable, the training must be located within the state of Texas (unless not available in Texas) and be related directly and primarily to the job being performed by the staff person attending the training.
   A. For training conducted within the provider setting, allowable training costs include, but are not limited to, instructor and consultant fees, training supplies, and visual aids.
   B. For off-site training, allowable costs include costs such as allowable travel costs (which are to be reported in 17. Travel below), registration fees, seminar supplies, and classroom costs; and meet the other criteria detailed in 1 TAC §355.103(b)(15).
   C. Training/Seminar costs incurred for Residential, Day Habilitation, Administrative, and Central Office staff are reported in their respective cost areas.
   D. Costs for training outside the continental United States are unallowable.

16. Travel (not to include mileage reimbursement) –
For purposes of training, allowable travel must be within the state of Texas (unless not available in Texas), be related directly and primarily to the job being performed by the staff person attending the training, and meet the other criteria detailed in 1 TAC §355.103(b)(15).

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

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

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

Once the provider accesses this website, they must select the correct time period from the "Find rates for fiscal year" box, remembering that federal fiscal years begin in October and end in September. For example, federal fiscal year 2014 began October 1, 2013 and ended September 30, 2014.

After selecting the correct time period, the provider must click on the picture of the state of Texas, identify the maximum lodging and meals rates for the location of their travel lodging from the table, and multiply those amounts by 1.5. The results are the maximum allowable per diem for lodging (plus applicable city/local/state taxes and energy surcharges) and meals.

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

17. Insurance – Liability – See 1 TAC §355.103(b)(13).
   A. Report the cost for insurance premiums for general liability and professional malpractice insurance paid to a nonrelated insurance company in this item, but only in Program Administration and/or Central Office as appropriate. As well, report the premiums paid to a risk retention group registered with the Texas Department of Insurance.
   B. Costs related to errors and omissions (liability) insurance for board members are allowable.
   C. Costs paid to a related-party insurance company for liability insurance will not be reported directly in this item. Report those costs through ***Step 8d***.
   D. Report the cost for paid claims, deductibles and co-insurance for general liability and professional malpractice insurance. The cost of claims paid under a captive insurance arrangement must be reported here. If this is, or may be, a self-insurance situation, see ***APPENDIX E – Self-Insurance***.

18. Fees – Management Contract – See 1 TAC §355.103(b)(6) and 1 TAC §355.105(b)(2)(B)(xiii).
    A. Reasonable management fees paid to non-related parties are allowable costs. If the facility has a management agreement with a nonrelated business entity to provide management services to the facility, report the fees incurred here and upload a copy of the management agreement signed by all interested parties. If an expense is reported in this item, ***Step 6a***, *Question 1 Do you have any contracted management costs to report?* must be "YES".
    B. If the contracted manager was designated in ***Step 6a*** as a related party, do not enter those costs here. Allowable management fees paid to related parties for administrative services are limited to the actual costs (e.g., staff, supplies, materials, allocated building costs, allocated departmental equipment costs) incurred by the related-party manager for services provided. Related-party management costs must be reported as central office costs with no mark-up in the specific items related to the cost and must not be combined into one item.
19. Fees – Contracted Administrative, Professional, Consulting and Training Services – See 1 TAC §355.103(b)(3).
    A. Contracted medical records services – Report here.
    B. Contracted administrative services, such as clerical temporaries, printing services, copying services, and courier delivery services – Report here.
    C. Report the cost of contracted professional services including allowable expenses related to accountants, attorneys, and data processing. Accounting fees for the preparation of income tax forms and returns are allowable costs; however, income taxes are not allowable costs. See 1 TAC §355.103(b)(3) 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 services included in the vendor payment.
    D. Legal, accounting, and other fees and costs associated with litigation between a provider and a governmental entity are unallowable costs. Pursuant to 1 TAC §355.103(b)(3)(B) and 1 TAC §355.103(b)(20)(I), the costs of litigation that resulted in a court-ordered award of damages or settlements to be paid by the provider or that resulted in a criminal conviction of the provider are unallowable costs. Within the narrow range of circumstances where legal expenses are allowable on an ICF/IID cost report, adequate documentation must be maintained as described in 1 TAC §355.105(b)(2)(B)(viii). Expenses incurred because of imprudent business practices are unallowable.
    E. Allowable expenses for workers' compensation administrative and legal expenses are to be reported here.
    F. Allowable franchise fees should be reported here. Franchise fees are different from franchise taxes; see Taxes – Texas Corporate Franchise Tax below. Franchise fees that represent "goodwill" or other intangible services are not allowable. See 1 TAC 20.103(b)(20)(C).
    G. Report seminar/conference registration fees as training and seminar costs in Staff Training/Seminar above.
    H. The following costs are unallowable and are not to be reported on this cost report: "NSF" (insufficient fund) charges and other penalties; fees paid to members of the provider's board of directors; administrative fines and penalties; fees related to becoming and/or maintaining certification from the Joint Commission on Accreditation of Hospital Organizations (JCAHO) (such certification is not necessary to provide ICF/IID services); and costs of DADS trustees. If company personnel are also DADS trustees, an allocation of costs associated with those personnel must be made, so that the portion of unallowable costs associated with being a DADS trustee can be properly removed from the cost report.

20. Licenses and Permits – Include fees for licenses and permits; license fees paid on behalf of an employee (e.g., Administrator license), and DADS assessments per bed.
21. Interest – Other (describe) –
    A. See 1 TAC §355.103(b)(11) and 1 TAC §355.105(b)(2)(B)(ix-x). Report the cost of interest paid on working capital loans (e.g., lines of credit). If a related-party funded loan, do not enter here directly. Enter through ***Step 8c***.
    B. The interest expense reported in this item must be offset by any interest income, and only the remaining interest expense, if any, reported here.
22. Quality Assurance Fee – Report total Quality Assurance Fees (QAFs) per bed paid to DADS for all individuals.
23. Taxes – Texas Corporate Franchise Tax – See 1 TAC §355.103(b)(12). Report the cost of Texas corporate franchise tax expenses for the cost-reporting period only. This item should not be blank if the provider is a corporate entity. If a tax statement includes any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only costs associated with the cost-reporting period. Franchise taxes are different from franchise fees; allowable franchise fees are reported in Fees – Contracted Administrative, Professional, Consulting and Training Services above. Franchise taxes associated with states other than Texas are unallowable costs.
24. Taxes – Other (describe) – See 1 TAC §355.103(b)(12).
    A. Personal property taxes related to the contents of the ICF/IID building and other operational taxes associated with the ICF/IID building only.
    B. Unallowable taxes include federal, state, and local income taxes; excess profit or surplus revenue based taxes; taxes levied on assets not related to the delivery of Medicaid-contracted ICF/IID services in Texas; pass-through taxes, such as sales tax collected and remitted; and tax penalties and interest. Self-employment taxes are unallowable. Taxes for which an exemption is available are unallowable.
    C. Taxes in connection with financing, refinancing, or refunding operations, such as taxes on the issuance of bonds, property transfers, issuance or transfer of stocks are unallowable as a tax expense; however, such taxes are usually depreciated or amortized.
    D. Ad valorem property taxes are reported in Taxes Ad Valorem Real Estate above.
    E. Texas corporate franchise taxes are reported in Taxes–Texas Corporate Franchise Tax above.
25. Advertising – See 1 TAC §355.103(b)(16) for a complete description of allowable and unallowable advertising and public relations expenses. Advertising expenses for recruitment of necessary personnel, yellow page listings no larger than one-eighth of a page, advertising to meet statutory or regulatory requirements, and advertising for the procurement of items related to contracted resident care are allowable costs.
26. Dues and Memberships – See 1 TAC §355.103(b)(14).
    A. Dues for membership in professional associations directly and primarily concerned with the provision of ICF/IID facility(s) services for which the provider is contracted are allowable. Any portion of the cost for membership that is applied to lobbying or whose purpose is to fund lawsuits or any legal action against the state or federal government is not allowable.
    B. Dues for membership in purchasing organizations or buying clubs are limited to the prorated amount representing purchases made for use in providing contracted services.
    C. Subscriptions to newspapers, journals, and magazines whose content is primarily concerned with the provision of services for which the provider is contracted are allowable and should be reported in the cost area where the salaries of the employees using those subscriptions are reported (i.e. Residential, Day Habilitation, Program Administration and/or Central Office).

D. Magazines and newspapers for use by ICF/IID facility residents should be reported as an activity supply in Resident Care and Operations Supplies above.
E. Dues or contributions made to any type of civic, political, social, fraternal, or charitable organizations are unallowable. Chamber of Commerce dues are unallowable.

27. Non-Related Party Day Habilitation Contract for Non-Participants in the Attendant Compensation Rate Enhancement – For **Non-Participants** in the Day Habilitation Attendant Compensation Rate Enhancement, report here the days and compensation for contracted nonrelated-party day habilitation services.
    A. For day habilitation contracted with a related organization, no costs will be reported in this line item. The staff costs properly allocated to this ICF/IID contracted provider must be reported in ***Step 6c*** and ***Step 6d*** (if the staff of the related organization are not themselves related individuals to the provider) or ***Step 6b*** (for any of the staff of the related organization who are related individuals to the provider). The properly allocated Administration, Facility and Operations costs of the related organization will be reported in the appropriate cost items (e.g. Rent/Lease – Building and Building Equipment, Depreciation – Departmental Equipment, Other Resident Care and Operations Supplies, etc.) as if they are costs of the ICF/IID and not in this item.
    B. Days of Service – Report the properly accrued days of service related to the contracted day habilitation services reported in this line item.
28. Non-Related Party Day Habilitation Contracted Costs for Participants in the Attendant Compensation Rate Enhancement – See 1 TAC §355.112(ff). For **Participants** in the Day Habilitation Attendant Compensation Rate Enhancement, report here the days and payments to the third-party contractor. HHSC will allocate 50% of reported payments to the attendant compensation cost area for inclusion with other allowable day habilitation attendant costs in order to determine the total attendant compensation spending for day habilitation services.
    A. For day habilitation contracted with a related organization, the properly allocated Administration, Facility and Operations costs of the related organization will be reported in the correct cost area and line items as if they are costs of the ICF/IID and not in this item.
    B. Days of Service – Report the properly accrued days of service related to the contracted compensation reported in this line item.
29. Other (describe) – Report here any costs that cannot be reasonably reported in any prior cost category. Any cost reported here should be adequately described. Costs related to boards of directors are unallowable, with the exception of travel costs incurred to attend meetings of the contracted provider's board of directors or trustees, within limits, (reported in Travel above) and errors and omissions (liability) insurance for board members (reported in Insurance – Liability above).

Step 8g Facility and Operations Costs Summary

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

ONLINE VERIFICATION AND SUBMISSION

Step 9 PREPARER VERIFICATION SUMMARY

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

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

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

Steps 10 and 11 PREPARER CERTIFICATION AND ENTITY CONTACT CERTIFICATION

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

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

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

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

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

- *COST REPORT CERTIFICATION* This page must be completed and signed by an individual legally responsible for the conduct of the provider such as an owner, partner, Corporate Officer, Association Officer, Government official, or L.L.C. member. The HCS/TxHmL 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 must be the same or after the date the preparer signed the Methodology Certification page, since the cost report certification indicates that the cost report has been reviewed after preparation.

POST-AUDIT STEPS

Step 12 PROVIDER ADJUSTMENT REPORT

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

STEP 13 AGREE/DISAGREE

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

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

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

STEP 14 HHSC INFORMAL REVIEW

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

APPENDIX A – Uploading Documents into STAIRS

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

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

APPENDIX B – Allocation Methodologies

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

Units of Service: This allocation method can only be used for shared costs where the services have equivalent units of equivalent service and MUST be used where that is the case. An equivalent unit means the time of a service is important: a Nursing Facility (NF) and a DAHS facility both provide a "Day" of service, but one is a 24-hour "Day" while the other is not. An equivalent service means that the activities provided by staff are essentially the same. If a provider has only ICF/IID facilities between which to allocate their shared administrative costs, then they MUST use the Units of Service method. An HCS group home and an ICF/IID are not equivalent because the HCS group home does not provide services in a facility setting that includes meeting all necessities for health and welfare. Also, an HCS provides other services, making a units-of-service allocation impossible between them and an ICF/IID.

Labor costs: This allocation method can be used where all of a provider's contracts are labor intensive, or all contracts have a programmatic or residential-building cost, or contracts are mixed with some being labor intensive and others having a programmatic-building or residential-building component. It is calculated based upon the ratio of directly charged labor costs for each contract to the total directly charged labor costs for all contracts. The Five Cost Components of the Labor Costs Allocation Method:

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

Total cost less facility cost: The Total-Cost-Less-Facility-Cost allocation method can be used if a provider's contracts are mixed – some being labor-intensive and others having a programmatic or residential building component. This method can also be used for an organization that has multiple contracts all requiring a facility for service delivery. This method allocates costs based upon the ratio of each contract's total costs less that contract's facility or building costs to the provider's total costs less facility or building costs for all contracts

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).

Cost-to-Cost: If allocations based on units of service are not acceptable, and all of a provider's contracts are labor-intensive, or if all contracts have programmatic or residential building costs, the provider may choose to allocate their indirect shared costs on a cost-to-cost basis. This method cannot be used by providers with both HCS and ICF/IID programs. The Cost-to-Cost method allocates costs based upon the percentage of each contract's directly charged costs to the total directly charged costs for all contracts. The cost-to cost method includes facility and operations costs.

Salaries: If allocation based on Units of Service is not acceptable, and all of a provider's contracts are labor-intensive, or if all contracts have programmatic or residential building costs, the provider may choose to allocate their indirect shared costs on the basis of salaries. This method cannot be used by providers with both HCS and ICF/IID programs The Salaries method allocates costs based upon the percentage of each contract's salaries to the total salaries for all contracts. The two cost components of the salaries allocation method:

- Salaries/wages
- Contracted labor (excluding consultants)

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

- Payroll taxes
- Employee benefits/insurance
- Workers' compensation

Functional: If the provider has any doubt whether the functional method used is in accordance with applicable rules or requires prior written approval from the Rate Analyst, contact the Rate Analyst prior to submitting the cost report. Functional allocations include allocations of Day Habilitation costs by use of attendance records, building square footage allocations, staff timesheets or vehicle mileage logs.

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

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

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

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

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

Makeup of Controlling Entity's Business Components	Multiple Contracts of the Same (Equivalent) Type of Service	Various Business Components - All Labor-Intensive	Various Business Components - All with Programmatic- or Residential-Building Costs	Mixed Business Components - Some with Programmatic- or Residential-Building Costs and Some Labor-Intensive	Shared Administrative Personnel Performing Different Duties for Different Business Components (not in Direct Care)	Functional Methods
Allowable Allocation Methods	Units of Service **Only applicable where there are multiple ICF/IID component codes and no other businesses.**	Cost-to-Cost Labor Costs Salaries **Not applicable to ICF/IID or HCS providers**	Cost-to-Cost Total-Cost-Less-Facility-Cost^ Labor Costs Salaries **Not applicable to HCS providers**	Total-Cost-Less-Facility-Cost^ Labor Costs **The only acceptable option for providers with both ICF/IID and HCS/TxHmL.**	Time Study*	Payroll Department - Number of payroll checks issued for each business component during the reporting period Purchasing Department - Number of purchase orders processed during the reporting period for each business component

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

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

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

Allocation Summary - UNITS of SERVICE

Adjusted Trial Balance

As of 12/31/20xx

Expenses:	Total Costs	Disallowed	Lake House ICF Direct Costs	River House ICF Direct Costs	Shared Costs	Allocated Shared Costs 55.70% Lake House	44.30% River House
Salaries							
Administrative	125,347.28				125,347.28	69,818.43	55,528.85
Attendants	157,288.47		87,434.22	69,854.25			
Supervisors	33,254.88		25,458.97	7,795.91			
Contracted Administrative staff	4,572.08				4,572.08	2,546.65	2,025.43
Consultants	2,500.00				2,500.00	1,392.50	1,107.50
FICA/Medicare	24,165.63		8,636.33	5,940.24	9,589.07	5,341.11	4,247.96
State & Federal Unemployment	5,686.03		2,822.33	1,553.00	1,310.70	730.06	580.64
Workers' Compensation							
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,506.00	1,197.77
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,506.50	1,993.50
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,491.37	1,981.47
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,265.91	1,006.82
Office Supplies	1,501.80				1,501.80	836.50	665.30
Medical Supplies	874.64				874.64	487.17	387.47
Insurance - General Liability	1,254.00				1,254.00	698.48	555.52
Insurance - Malpractice	1,050.87				1,050.87	585.33	465.54
Travel	387.98	237.65	54.36	35.74	60.23	33.55	26.68
Advertising	402.87	104.97			297.90	165.93	131.97
Miscellaneous	601.47	254.74			346.73	193.13	153.60
Totals	384,689.08	597.36	130,847.41	90,589.68	162,654.63	90,598.63	72,056.00

Units of Service Allocation Percentages:	Units of Service	Percentage
Lake House	9,961.50	55.70%
River House	7,924.25	44.30%
	17,885.75	100.00%

Allocation Summary - Total Cost Less Facility Cost

Adjusted Trial Balance

As of 12/31/xx

As of 12/31/xx						Allocated Shared Costs	
						59.33%	40.67%
Expenses:	Total Costs	Disallowed	Direct HCS	Direct ICF/IID	Shared Costs	HCS	ICF/IID
Salaries							
Administrative	125,347.28				125,347.28	74,368.54	50,978.74
Direct Care Workers	157,288.47		87,434.22	69,854.25			
Supervisors	33,254.88		25,458.97	7,795.91			
Contracted RN	4,572.08		2,712.62	1,859.46	-	-	-
Consultants	2,500.00				2,500.00	1,483.25	1,016.75
FICA/Medicare	24,165.63		8,843.84	6,082.49	9,239.30	5,481.68	3,757.62
State & Federal Unemployment	5,686.03		2,822.33	1,553.00	1,310.70	777.64	533.06
Employee Benefits	4,847.25		1,254.01	889.47	2,703.77	1,604.15	1,099.62
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,669.85	1,830.15
Utilities	8,945.67	Facility	2,385.51	2,087.32	4,472.84	2,653.73	1,819.10
Ad Valorem Taxes	3,256.88	Costs	842.64	1,834.64	579.60	343.88	235.72
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	331.55	227.27
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,348.41	924.32
Office Supplies	1,501.80				1,501.80	891.02	610.78
Medical Supplies	874.64				874.64	518.92	355.72
Insurance - General Liability	1,254.00				1,254.00	744.00	510.00
Insurance - Malpractice	1,050.87				1,050.87	623.48	427.39
Travel	387.98	237.65	54.36	35.74	60.23	35.73	24.50
Advertising	402.87	104.97			297.90	176.74	121.16
Miscellaneous	601.47	254.74			346.73	205.71	141.02
Totals	389,792.70	597.36	134,856.44	95,467.70	158,871.21	94,258.29	64,612.92

Total Costs-Less-Facility-Costs Allocation Percentages:

	HCS	ICF/IID	Totals
Total Costs	134,856.44	95,467.70	230,324.14
Facility Costs	5,874.40	7,063.63	12,938.03
Total Costs Less Facility Costs	128,982.04	88,404.07	217,386.11
Allocation Percentages	59.33%	40.67%	

Allocation Summary - Salaries Method

Adjusted Trial Balance
As of 12/31/xx

Expenses:	Total Costs	Disallowed	Direct PHC	Direct CLASS-CMA	Shared Costs	Allocated Shared Costs 57.39% PHC	Allocated Shared Costs 42.61% CLASS CMA
Salaries							
Administrative	125,347.28				125,347.28	71,935.31	53,411.97
PHC Attendants	87,434.22		87,434.22		-		
CLASS Case Managers	65,238.41	Salary		65,238.41	-		
Supervisors	23,254.88	Costs	13,528.48	9,726.40	-		
Contracted Workers	0.00				-		
Consultants	2,500.00				2,500.00	1,434.72	1,065.28
FICA/Medicare	23,008.63		7,723.65	5,715.03	9,569.95	5,492.08	4,077.87
State & Federal Unemployment	5,613.99		2,524.07	1,494.13	1,595.79	915.80	679.99
Employee Benefits	3,488.84		1,254.01	889.47	1,345.36	772.09	573.27
Office Lease	6,500.00		2,400.00	2,100.00	2,000.00	1,147.78	852.22
Utilities	6,460.76		2,385.51	2,087.32	1,987.93	1,140.85	847.08
Telecommunications	2,453.79		401.68	333.75	1,718.36	986.15	732.21
Office Supplies	1,501.80				1,501.80	861.87	639.93
Medical Supplies	387.25				387.25	222.24	165.01
Insurance - General Liability	1,254.00				1,254.00	719.66	534.34
Insurance - Malpractice	1,050.87				1,050.87	603.08	447.79
Travel	303.01	204.65	54.36	35.74	8.26	4.74	3.52
Advertising	402.87	104.97			297.9	170.96	126.94
Miscellaneous	601.47	254.74			346.73	198.98	147.75
Totals	356,802.07	564.36	117,705.98	87,620.25	150,911.48	86,606.30	64,305.18

Salary Method Allocation Percentages:	Salary Costs	Percentage
Total PHC	100,962.70	57.39%
Total CLASS-CMA	74,964.81	42.61%
	175,927.51	100.00%

Allocation Summary - Cost-to-Cost

Adjusted Trial Balance
As of 12/31/xx

Expenses:	Total Costs	Disallowed	Direct PHC	Direct CLASS-CMA	Shared Costs	Allocated Shared Costs 57.38% PHC	Allocated Shared Costs 42.62% CLASS-CMA
Salaries							
Administrative	125,347.28				125,347.28	71,922.00	53,425.28
PHC Attendants	87,434.22		87,434.22		-		
CLASS Case Managers	65,238.41			65,238.41	-		
Supervisors	23,254.88		13,528.48	9,726.40	-		
Contracted Employees	249.85		249.85		-		
Consultants	2,500.00				2,500.00	1,434.45	1,065.55
FICA/Medicare	23,008.63		7,723.65	5,715.03	9,569.95	5,491.06	4,078.89
State & Federal Unemployment	5,613.99		2,524.07	1,494.13	1,595.79	915.64	680.15
Employee Benefits	3,488.84		1,254.01	889.47	1,345.36	771.94	573.42
Office Lease	6,500.00		2,400.00	2,100.00	2,000.00	1,147.56	852.44
Utilities	6,460.76		2,385.51	2,087.32	1,987.93	1,140.64	847.29
Telecommunications	2,453.79		401.68	333.75	1,718.36	985.96	732.40
Office Supplies	1,501.80				1,501.80	861.71	640.09
Medical Supplies	0.00				-		
Insurance - General Liability	1,254.00				1,254.00	719.52	534.48
Insurance - Malpractice	1,050.87				1,050.87	602.97	447.90
Travel	303.01	204.65	54.36	35.74	8.26	4.74	3.52
Advertising	402.87	104.97			297.9	170.93	126.97
Miscellaneous	601.47	254.74			346.73	198.95	147.78
Totals	356,664.67	564.36	117,955.83	87,620.25	150,524.23	86,368.08	64,156.15

Cost-to-Cost Allocation Percentages:	Total Costs	Percentage
Total PHC Costs	117,955.83	57.38%
Total CLASS-CMA Costs	87,620.25	42.62%
	205,576.08	100.00%

APPENDIX C - Allocation of Shared Dietary/Central Kitchen

Allocation of Shared Dietary/Central Kitchen Expenses

A central kitchen is defined as a kitchen that provides meals and/or snacks to more than one contract, program, or business entity. If the provider has a central kitchen that prepares meals for more than one business entity or program, do not report the expense of the meals provided for this entity as a single entry on the cost report. Shared dietary/central kitchen expenses must be reported on the cost report in the various 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 continuous, daily 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 returned for proper completion. (Refer to 1 TAC §355.102(j) and 1 TAC §355.105(b)(2)(B)(v))

Central kitchen costs can be allocated based on one of three functional allocation methods:

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

NUMBER OF MEALS PROVIDED ALLOCATION METHOD

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 one Medicaid program (e.g. ICF/IID); and
2. Provides the same meal service to all the contracts in that Medicaid program, such as:
   a. Breakfast, lunch, dinner and two snacks to all ICF/IID contracts, or
   b. Breakfast, lunch and dinner to all ICF/IID contracts, or
   c. Breakfast, lunch, dinner and one snack to all ICF/IID 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:

A central kitchen provides meals to different types of Medicaid programs. For example:

1. A central kitchen does not provide the same meal service to all ICF/IID components.
   a. The central kitchen provides meals to an ICF/IID component and to a Nursing Facility contract; or
   b. The central kitchen provides meals to an ICF/IID component and to a Child Day Care contract.
2. The central kitchen provides meals to multiple components/contracts of the same Medicaid program, but some of the components/contracts receive breakfast, lunch and dinner and two snacks, and other components/contracts receive only lunch and dinner and one snack, or breakfast, lunch and dinner and no snacks.

When the meals service is not the same and dietary care services are shared by more than one business component (e.g., ICF/IID, NF, child day care, and/or hospital), the shared dietary costs must be properly allocated using <u>either</u> of the following allocation methods:

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

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 ICF/IID component. By multiplying the proportion of total weighted meals provided to the ICF/IID component for which the cost report preparer is completing the cost report by the various central kitchen costs, the cost report preparer 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 – 3 below followed by examples of the calculation of ratios for meals served only to adults with different meal service (Example 1) and the calculation of ratios for meals served to both adults and children (Example 2).

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

Example 1. 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 an ICF/IID and a Day Activity and Health Services (DAHS) program which both serve only adults. The provider maintained meal counts on both programs.

DAHS	RDA Weight	Meal Count	Weighted Meal Count (rounded to 2 decimals)
Morning Snack	0.5	15,621	7,810.50
Lunch	1	15,608	15,608.00
Afternoon Snack	0.5	14,527	7,263.50
Total weighted meals			30,682.00

ICF/IID	RDA Weight	Meal Count	Weighted Meal Count (rounded to 2 decimals)
Breakfast	0.75	7,851	5,888.25
Lunch	1	7,803	7,803.00
Morning Snack	0.5	7,474	3,737.00
Dinner	1	6,352	6,352.00
Afternoon Snack	0.5	6,498	3,249.00
Total weighted meals			27,029.25

Allocation percentage based on the weighted meals count.

	Weighted Meals Count	Percentage for Allocation
DAHS	30,682.00	53.16%
ICF/IID	27,029.25	46.84%
Total	57,711.25	100.00%

Allocation of Shared Dietary Expenses	Total	DAHS	ICF/IID
Central kitchen costs to be allocated:	100.00%	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	$295.68	$157.18	$138.50
Total central kitchen costs to be allocated:	$133,892.24	$71,183.38	$62,708.86

Example 2. The Weighted Number of Meals Provided Allocation Method -
Calculation of Ratios of 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 day care that serves to children 6-12 years old; and an ICF/IID that serves only adults. The provider kept meal counts on each of the three programs.

a. Total Meal Count

	Day Care 3-5 yrs. old	Day Care 6-12 yrs. old	ICF/IID Adults
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
Dinner	5,200	0	0

b. Weighted Meal Count for Day Care (3-5 yrs. old)

	Meal Weight	Meal Count	Wtd. 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

c. Weighted Meal Count for Day Care (6-12 yrs. old)

	Meal Weight	Meal Count	Wtd. Meal Count*
Breakfast	0.620	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
Dinner	0.8125	0	0.00
Total			7,556.75

d. Weighted Meal Count for NF (Adults)

	Meal Weight	Meal Count	Wtd. 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
Dinner	1	0	0.00
Total			14,950.00

* = rounded to two decimal places.

e. Allocation percentage based on the weighted meal count

Program	Wtd Meal Count	% for Allocation
Day Care (3-5 yrs. old)	10,402.00	31.61%
Day Care (6-12 yrs. old)	7,556.75	22.96%
ICF/IID (Adults)	14,950.00	45.43%
TOTAL	32,908.75	100.00%

f. Allocation of Shared Dietary Expenses	Total	3-5 yrs.	6-12 yrs.	NF
Central kitchen costs to be allocated:	100.00%	31.61%	22.96%	45.43%
Raw food costs	$94,934.70	$30,008.86	$21,797.01	$43,128.83
Cook Salary	$17,680.00	$5,588.65	$4,059.33	$8,032.02
Assistant Salary	$10,712.00	$3,386.06	$2,459.48	$4,866.46
Building Rent	5,993.20	$1,894.45	$1,376.04	$2,722.71
Building Insurance	$1,020.26	$322.50	$234.25	$463.50
Utilities	$3,049.66	$964.00	$700.20	$1,385.46
Pest Control	$151.44	$47.87	$34.77	$68.80
Equipment	$55.30	$17.48	$12.70	$25.12
Non-Food Supplies	$295.68	$93.46	$67.89	$134.33
Total Central kitchen costs to be allocated:	$133,892.24	$42,323.34	$30,741.66	$60,827.24

CENTRAL KITCHEN ALLOCATION METHOD

All shared dietary/central kitchen costs can be allocated by the Central Kitchen Allocation Method if the provider believes that this method gives a more accurate picture of the true allocation of their central kitchen costs then either the Number of Meals Provided Allocation Method (if appropriate) and the Weighted Number of Meals Provided Allocation Method.

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 an individual receiving DAHS services and an individual receiving ICF/IID services 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 an individual receiving DAHS services and a child in day care, 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, 2009 through April 30, 2009.

	DAHS a.m. Snack	**ICF/IID Breakfast**	**DAHS/ICF/IID Noon Meal**	**DAHS/ICF/IID p.m. Snack**	**ICF/IID Evening Meal**	**ICF/IID 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%

(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

* 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	**ICF/IID Breakfast**	**DAHS/ICF/IID Noon Meal**	**DAHS/ICF/IID p.m. Snack**	**ICF/IID Evening Meal**	**ICF/IID 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
Non-Food Supplies	$295.68
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	**ICF/IID Breakfast**	**DAHS/ICF/IID Noon Meal**	**DAHS/ICF/IID p.m. Snack**	**ICF/IID Evening Meal**	**ICF/IID 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 is Sections 2-5.

	DAHS a.m. Snack	ICF/IID Breakfast	DAHS/ICF/IID Noon Meal	DAHS/ICF/IID p.m. Snack	ICF/IID Evening Meal	ICF/IID 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 ach 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			
ICF/IID		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
ICF/IID		$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

ICF/IID To be reported on ICF/IID 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:

Shared Dietary Methodology Allocation Percentages:	Dietary Costs	Percentage
Total DAHS	$54,701.00	40.85%
Total ICF/IID	$79,191.00	59.15%
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:

			Allocated Shared Costs	
		40.85%	59.15%	
Shared Dietary Expenses:	Amount		DAHS	ICF/IID
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
Non-Food Supplies	$295.68		120.79	174.89
Totals	$133,892.24		54,694.98	79,197.26

APPENDIX D - A List of Some Useful Lives for Depreciation

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

Buildings	30 yrs
Building Additions	30 yrs
Cars and Minivans	3 yrs
Light Trucks & Vans	5 yrs
Buses and Airplanes	7 yrs
Used Vehicles - see 1 TAC §355.103(b)(10)(C)(ii)	

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

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

APPENDIX E – Self-Insurance

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

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

- Allowable self-insurance costs for contracted providers include claims-paid (cash basis) costs, paid coinsurance provisions and deductibles and compensation paid to employees injured on the job where the contracted provider has received certificates of authority to self-insure from the Texas Workers' Compensation Commission.
- Contributions to the insurance fund or reserve that do not represent payments based on current liabilities and security deposits related to the Texas Workers Compensation Commission Certificate of Authority to Self-Insure are not allowable self-insurance costs.
- Self-insurance costs in excess of costs for similar, comparable coverage by purchased and/or commercial insurance premiums are subject to a cost ceiling. Documentation substantiating the cost of comparable coverage by purchased and/or commercial insurance premiums must be obtained and maintained as specified in 1 TAC §355.105(b)(2)(B)(ix) of this title. Refer to 1 TAC §355.103(b)(13)(E).

Cost Ceilings

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

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

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

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

For the initial reporting period:

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

For subsequent reporting periods:

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

Documentation Requirements

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

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

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

APPENDIX F – Importing Data Into STAIRS

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

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