

# **NURSING HOME COST REPORT INSTRUCTION MANUAL**

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*A GUIDE FOR ENTERING ANNUAL  
NURSING HOME COST REPORT  
DATA VIA THE OHCA SECURE SITE*



**OKLAHOMA**  
Health Care Authority

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These are the regulations, explanations, and instructions to be used in the preparation of your Nursing Home Cost Report which is due to be filed on or before October 31, following the end of each state fiscal year. All nursing homes will report on the state fiscal year which runs from July 1 to June 30.

Cost reports are mandatory under Title XIX of the Social Security Act and are required by the provider's contract with the Oklahoma Health Care Authority (OHCA). The OHCA is charged with enforcement. Title XIX and the Medicaid State Plan require all licensed Nursing Homes (NH) in Oklahoma to render an annual cost report. Collectively, these reports establish a basis for evaluation of the reasonableness of the rate paid to the nursing homes and determination of what constitutes an economically and efficiently operated facility. All nursing homes must file using the OHCA Secure Website. The only exception is for a facility filing a partial year report (see below).

NOTE: NURSING HOME REPORTS FILED AFTER OCTOBER 31<sup>ST</sup> SUBJECT THE FACILITY TO A DELAY IN FUTURE PAYMENTS OR A LOSS OF THE DIRECT CARE COST COMPONENT OF THE RATE.

## EXTENSION OF TIME

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Nursing Home Reports are required to be filed on or before **October 31<sup>st</sup>** of each year. This requirement will be rigidly enforced unless approved extensions of time for the filing of said reports are granted.

Extensions, for just cause, not to exceed 15 days, may be granted. No form is required. Extensions of time shall be requested by a letter addressed to the Finance Division or by email to [Fred.Mensah@okhca.org](mailto:Fred.Mensah@okhca.org), [Kim.Potter@okhca.org](mailto:Kim.Potter@okhca.org), or [Lionel.Haumpo@okhca.org](mailto:Lionel.Haumpo@okhca.org)

When an extension has been approved and the report is filed within the authorized extended period, said report will be considered as timely filed.

If the NH fails to file its report within the required (or extended) time, the NH will be treated as "out of compliance" and payments to the NH will be subject to suspension.

Simultaneously with the "suspension of payments", the matter of noncompliance will be referred to the Legal Division of the OHCA to be considered in connection with the renewal of the NH contract.

## PARTIAL YEAR REPORT

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Where the ownership or operation of a NH changes hands during the year, or where a new operation is commenced, a partial year report is required, covering each period of

time the NH was in operation during the year. Partial year reports must be filed on paper and mailed to:

Oklahoma Health Care Authority  
Finance Division/Cost Reporting  
4345 N. Lincoln Blvd.  
Oklahoma City, Oklahoma 73105

Forms may be obtained on the website or by contacting the Finance Unit:

- Fred Mensah, Phone: (405) 522-7294, E-mail: [Fred.Mensah@okhca.org](mailto:Fred.Mensah@okhca.org)
- Kim Potter, Phone: (405) 522-7637, E-mail: [Kim.Potter@okhca.org](mailto:Kim.Potter@okhca.org)
- Lionel Haumpo, Phone: (405) 522-7098, E-mail: [Lionel.Haumpo@okhca.org](mailto:Lionel.Haumpo@okhca.org)

Partial year reports are linked to the legal requirement that all NH reports be properly filed in order that the overall cost of operation of the NH may be determined.

If a NH is sold or discontinued, OHCA may withhold final payment due to said NH until its final report is received. The audit of partial year reports falls within the discretion of the Authority.

## REPORTS MUST BE ACCURATE

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OHCA's utilization of computers is essential in accumulating information needed. This, in turn, is dependent to a large degree on the uniformity, accuracy and completeness of the report you file. The success of the entire program rests with the ability of OHCA to function properly in fixing the rate of compensation for NH services. In preparing the approved Nursing Home Cost Report, the use of generally accepted accounting principles (AICPA) and the accrual basis of accounting is required.

## PROVIDER – FALSE STATEMENTS OR MISREPRESENTATIONS

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### 42 U.S.C. §1320a-7b Penalties

“(a) Whoever- (2) at any time knowingly and willfully makes or cause to be made any false statement of a material fact for use in determining rights to such benefit or payment... shall (i) in the case of such a statement, representation, concealment, failure, or conversion by any person in connection with furnishing (by that person) of items or services for which payment is or may be made under this title (42 U.S.C. §1320 et. seq.), be guilty of a felony and upon conviction thereof fined not more than \$25,000 or imprisoned for not more than five years or both, or (ii) in the case of such a statement, representation, concealment, failure, or conversion by any other person, be

guilty of a misdemeanor and upon conviction thereof fined not more than \$10,000 or imprisoned for not more than one year, or both.

# MOST COMMON ERRORS BY EXPENSE SCHEDULE:

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## **Salaries:**

Accrual and Deferral entry errors and owner's non-direct care salaries included here when they should have been in administrative services (only salaries of owners while working as DON, RN, LPN, Nurse Aide, CMA Aide, QMRP or Licensed Therapist). Also, including salaries for Registered Nurse, Nurses Aids, etc. when they are contracted employees and should be reported in (Outside professional fees).

## **Professional Services:**

Accrual entry errors as well as home office legal cost which should be in administrative services and some fees were not actually paid but were entered as expense. The most common item here is reporting unallowable SNF therapy here and not on the Addendum schedule only.

## **Employee Benefits:**

Some accrual entry errors were made but the most common error was overstatement of Workers' Compensation due to putting prepaid deposit premiums into expense when they do not pertain to the fiscal year. Another common error is over or under reporting FICA, this amount should be reported at 7.65% of total wages. This is a breakdown of 6.2% for SSI and 1.45% of Medicare.

## **Property Tax:**

Overstatements/Understatements due to period in which the tax applies. This should be on an accrual basis.

## **Office Supplies:**

Rent and lease of equipment entered here in error. Items were purchased and entered here that should have been capitalized and put into equipment listings and depreciated. (See Cost Report Instructions). Also, non-allowable advertising put into this account, i. e., advertising for something other than personnel or advertising necessary for routine care.

## **Insurance:**

All errors were overstatements due to accrual errors.

## **Public Relations:**

All errors were for entering non-allowable advertising expense in this account. Advertising is allowable only when it pertains to routine care and in most homes that would be only for personnel recruitment.

**Auto Expense:**

Adjustments were made for undocumented costs in this category. Also, expense for auto used for both private and home service must be allocated by a log of mileage or use.

**Maintenance:**

Items of equipment that should have been capitalized were put into this account. Items must be capitalized when they have a life greater than two years and a value greater than \$5,000. A facility may capitalize at lower thresholds if it elects to do so.

**Food and Kitchen:**

Most common error due to not adjusting for “sales” to outside persons. Whenever sales of any kind are made which are not to patients then those costs must be reduced by those cash receipts or by the actual cost of goods sold, if that is cost kept.

**Drugs and Medical:**

Most common errors are not adjusting for outside sales; see food and kitchen explanation and reporting unallowable SNF Drugs & Medical here and not on the Addendum schedule only. Oxygen and all misc. oxygen supplies such as (masks, tubing, nasal prongs, etc.) must be reported separately on its own line and not included with drug and medical supplies.

**Capital Related Costs:**

The most common error is not using straight line depreciation which is required by Medicaid. Also, rental expense should be only that which is payable under arm’s length, fair-market value contracts. Rental expense to related parties should be at an arm’s length transaction, at fair market value amount, and will not be allowed unless documented as such.

**Administrative Services:**

Arbitrary allocations of management fees or home office costs will not be allowed. This is not used for profit distributions which are unallowable for reimbursement purposes.

**Other:**

Non-allowable entertainment expenses were put in this account in some cases.

**Notes:**

Cable or other television is non-allowable for Medicare/Medicaid purposes.

Quality of Care (QOC) Fees must be reported under Other Expenses Schedule under Provider Fees.

# COST CATEGORIES CHEAT SHEET:

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## **SALARIES & WAGES:**

Registered Nurse; Licensed Practical Nurse; Director of Nursing; Nurse Aide; CMA Aide; QMRP; Medical Director; Physical Therapist; Occupational Therapist; Respiratory Therapist; Speech Therapist; Therapy Aide/Assistant; Administrator; Assistant Administrator; Accountant/Bookkeeper; Other Office Staff; Social Services Director; Social Worker; Social Services Staff; Activities Director; Activities Staff; Dietician; Dietary Staff; Housekeeping Supervisor; Housekeeping Staff; Maintenance Supervisor; Maintenance Staff; Laundry Supervisor; Laundry Staff; Medical Records; Other Expenses

**Note:** Staffing agency contracted direct care staff e.g., Contracted Registered Nurses, Licensed Practical Nurses and Nurse Aides must be reported under Outside Professional Fees under the appropriate expenditure classification.

### **Vocational Services Staff-ICF Only**

Employees associated with the vocational services program: Job Coach, Supervisor, Program Manager, Program Coordinator, etc.

### **Day Services Staff-ICF Only**

Employees associated with the day services program: Supervisor, Program Manager, Program Coordinator, etc.

## **OUTSIDE PROFESIONAL FEES:**

Contract Registered Nurse; Contract Licensed Practical Nurse; Contract Nurse Aide; Medical Director; Therapist; Consulting Social Worker; Dietician; Pharmacist; Dentist; Accountant; Legal; Housekeeping; Maintenance; Other; Computer Programmer; Fire Alarm Service; Security System Service

### **Vocational Services Staff-ICF Only**

Independent contract workers associated with the vocational services program: Job Coach, Supervisor, Program Manager, Program Coordinator, etc.

### **Day Services Staff ICF-Only**

Independent contract workers associated with the day services program: Supervisor, Program Manager, Program Coordinator, etc.

## **EMPLOYEE BENEFITS/EXPENSE:**

FICA; Unemployment Compensation Tax; Worker's Compensation Insurance; Group Health/Dental Insurance; Life Insurance; Retirement; Pension; Other Employee Benefit; Nurse Aide Competency Evaluation; Other Licensed Direct Care Training; Other; Payroll Tax

## **TAXES (NON-PAYROLL):**

Excise Tax; Corporation Tax; AD Valorem (Property Tax); Auto Tag; Auto Registration; Other Tax



**OFFICE EXPENSES:**

Office Supplies; Office Expense; Telephone; Utilities; Routine Banking Fees; Medical Records Software; Biohazardous Waste Disposal; Needle Disposal; Small Office Equipment

**INSURANCE (NON-P/R):**

Building Insurance; Automobile Insurance; Other Insurance; General Liability Insurance

**GENERAL EXPENSES:**

Dues; Publications; Public Relations; Auto; Maintenance; Laundry; Linens; Housekeeping Supplies; Food Supplies; Kitchen Supplies; Social Services Supplies; State License Fees; Advertising for Employees Vacancies

**Vocational or Day Services Cost-ICF Only**

These are costs for activities or items directly traceable to the vocational or day services program (excluding staffing and overhead cost). Costs may include but not limited to materials and supplies for the vocational or days services program.

**DRUGS & MEDICAL SUPPLIES:**

Over-the-Counter Medication; Special Adaptive Medical Equipment; Patient Lab Fees; Doctor Visits; X-Rays

**CAPITAL:**

Equipment Rent/Lease; Facility Rent/Lease; Interest; Building & Improvement Depreciation; Local Improvement Depreciation; Leasehold and Improvements Depreciation; Equipment Depreciation; Auto Depreciation

**ADMINISTRATIVE SERVICES:**

Management Fees; Optional Home Office Expense; Owners Non-Salary Compensation; Owners Salaries Paid; Benefits on Owners Salaries; Directors Fees; Management Fees Paid

**OTHER:**

Provider Fees; Hepatitis Vaccination Cost; Other Cost; Employee Criminal Background Checks

**Vocational or Day Services Cost-ICF Only**

These are overhead costs attributable to the provision of vocational or day services program. For example, utilities, etc. not already paid for by Medicaid.

**SNF ADDENDUM:**

All Medicare SNF related charges

**EXAMPLES OF NON-ALLOWABLE MEDICAID COSTS:**

NSF Fees; Owners Non-Salary Compensation (Dividends); Marketing Salaries and Related Payroll Taxes; Social Services (Vending) or Vending Machine Expenses; Cable Television Expenses; IRS Section 179 Expenses; Lease Expenses to a related party that Violates DEFRA (does not meet the following criteria: arm's length transaction, fair market value and required documentation); Skilled Nursing Facility Expenses; Medicare Cost Report Preparation Expenses; Bad Debts; Expenses Related to Settlement of a Lawsuit; Civil Monetary Penalties; Garnishment Expenses

# AUDITS

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## **ON-SITE AUDITS:**

Every year, a sample group of costs reports are chosen to be independently audited. The sample will be drawn based in part on reported costs, common ownership, or coverage over a regular cycle.

Beginning with the audit of SFY2014 cost reports:

1. The auditor will prepare a written list of the audit findings with citations of why the cost is unallowable.
2. The auditor will present the audit findings in writing to the provider. A signature will be required by both the contract auditor and the provider.
3. The auditor will document any findings that are not agreed upon by the provider and auditor.
4. The auditor will present all findings to OHCA.
5. The provider can request an administrative review for findings they don't agree with which will be settled by a legal authority or an ALJ process.
6. OHCA will then update policy, training manuals, and/or other materials as necessary when processes are changed as a result of the audit findings.

The law requires that your records be made available to the OHCA for audit purposes. This also applies to any auditor that the OHCA engages to perform said examinations.

The Nursing Home Cost Report Main Schedule is supported and populated by data entered into the other schedules covering Facility Statistics, Salaries & Wages, Outside Professional Fees, Employee Expenses, Taxes non-payroll, Office Expense, Insurance non-payroll, General Expenses, Drugs & Medical Supplies, Capital Related Expenses, Administrative Services, Other Expenses and Related Organizations.

**CAUTION: DO NOT COMBINE LINE ITEMS ON ANY SCHEDULE.**

**USE ONLY WHOLE NUMBERS – NO CENTS PLEASE**

Costs included on the NH cost report are to consist of “allowable costs” only. Costs should be net of any offsets or credits for items such as interest earned on operating cash and charges to others for meals, etc.

## **ALLOWABLE COST:**

This includes all items of expense which providers incur in the provision of routine services (see below). Allowable costs must be considered reasonable, necessary, and proper and shall include only those costs that are considered allowable for Medicare/Medicaid purposes. Providers, OHCA, and the contracted auditor should use the CMS Provider Reimbursement Manual (the HIM 15-1) for determination purposes and documentation requirements, unless otherwise stated in this manual. You may also contact the finance section at the OHCA for any questions.

**ROUTINE SERVICES:**

Regular room, dietary and nursing services, minor medical and surgical supplies, and the use of equipment and facilities essential to the provision of routine care only. Items reimbursed outside the NH rate should not be included in the NH cost report.

**VOCATIONAL OR DAY SERVICES COST- ICF ONLY:**

Each facility will be audited annually as part of the annual cost report reviews to ensure only allowable costs are reported. Payments will be recouped from facilities that report unallowable costs. Additional audits can be conducted anytime at the discretion of OHCA.

The following are specific instructions for completion of the Nursing Home Cost Report Supporting Schedules or Screens. Please have all your final numbers ready for input (i.e., all close-outs, year–ending entries and assimilations of data).

# ACCESS

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The OHCA SoonerCare Provider Portal (Medicaid on the Web) may be accessed by first going to the Oklahoma Health Care Authority public website (okhca.org) and under “Provider” execute the “Provider Secure Site” option. Also, you can go to the link below to access the secure site: [www.ohcaprovider.com](http://www.ohcaprovider.com)

## PERSONAL IDENTIFICATION NUMBER (PIN)

If you currently utilize the SoonerCare Provider Portal for filing claims, etc. then you may access the Interactive Cost Report function immediately by executing the new menu option (LTC COSTS) located at the top right-hand corner of the main page. If, on the other hand you have never accessed the SoonerCare Provider Portal, you must have a Personal Identification Number (PIN) issued to you by the OHCA. A letter was sent out when your original PIN was assigned. If you no longer have the letter and need one to be reissued, or if you’re required to have a new PIN assigned, please contact the Internet Helpdesk at 405-522-6205 or toll free at 1-800-522-0114, Option 1 (enter provider ID), then choose Option 2, then Option 1. Only the administrator listed on the account can make changes. You may also request a new PIN by completing the Provider Portal Access Form, located out on our public website. We have included the link below for your convenience.

[http://www.okhca.org/providers.aspx?id=72&menu=60&parts=7499\\_7505](http://www.okhca.org/providers.aspx?id=72&menu=60&parts=7499_7505)

## CREATING A CLERK

For instruction on creating a clerk, access the OHCA public website at: [http://www.okhca.org/providers.aspx?id=110&parts=7557\\_7559](http://www.okhca.org/providers.aspx?id=110&parts=7557_7559) the SoonerCare Provider Portal –Medicaid on the Web manual can be located on the right side of the page under the section titled: Resources.

# REPORTING PROCESS

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Once you gain access to the secure website select **LTC** and choose the Edit/Submit Costs option. After selecting the Edit/ Submit option the cost reporting **MAIN SCREEN** should appear which displays the facility profile. If you find problems or errors, please contact the Finance division to have changes made. Do not wait for these changes to continue entering costs. On the bottom of the screen, first select the appropriate reporting period, then click the **Edit Cost Reporting** button which will take you to the:

## **NURSING HOME COST REPORT MAIN SCHEDULE**

This is used to monitor and access the schedules for data entry. Click on each cost classification schedule to enter that data. Note that the Facility Statistics Schedule and Skilled Nursing Facility Addendum Schedule (if applicable) must be filed first, then the other classification schedules in any order you desire. The **Save (Submit and Confirm)** feature is at the bottom of each schedule to allow the user to stop at their discretion without duplicating (or having to re-enter) data. Once a schedule has been saved (**Submitted and Confirmed**) the total will go the main schedule and a check (✓) will appear by that cost classification on the Main Schedule. You may re-enter or change data at any time until the report is submitted after which it is locked and you must contact the OHCA Finance department to unlock the file. **DO NOT** select (**Submit and Confirm**) option on the Main Schedule until all data has been entered on all schedules, audited for accuracy, and saved as this locks the data entered to date and assumes it is final. You may have the file un-locked by contacting us until the file is frozen for the year. The following are instructions and suggestions relating to the specific screens you will encounter.

## FACILITY STATISTICS SCHEDULE

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Report Medicare, Medicaid and Other Days and Available Bed Days on this schedule. The occupancy rate will automatically calculate. Please note patient days for the SNF Unit (Skilled Unit) or for Medicare Skilled patients and all other patient days should be entered in the appropriate columns, making sure that only skilled days are reported in the SNF (skilled) column.

Common Ownership: Check here if the facility's owner has an ownership interest in other nursing facilities.

Workers Comp: Select from the drop-down box to indicate what type of insurance you carry.

Ownership Change: Check here if there has been a change of ownership. If so, the date, C.O.N (construction of need) approval date, previous owner and address of previous owner is required.

Related Parties: Check here if you incur costs from related parties. (i.e., from suppliers having common ownership/control with the facility)

Facility Lease: If the facility is being leased the name of the lessor and address is required.

**Note: If you report SNF Days then you must fill out the Skilled Nursing Facility Addendum.** The Skilled Nursing Facility Addendum will expand once you enter values into any of the fields under SNF Unit.

## SKILLED NURSING FACILITY ADDENDUM

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Skilled Nursing Facility Addendum: You must complete this schedule if you reported SNF patient days. The Skilled Nursing Facility Addendum will expand once you enter values into any of the fields under SNF Unit. If you report skilled days, then an adjustment for the added costs of serving these patients is required. There are three ways to report these costs:

1. Report only the “Drugs and Medical” and “Therapeutic Outside Professional” directly attributable to Skilled days on the Skilled Addendum and not on the main or sub-schedules (this is the OHCA’s preferred method).
2. Report all facility expenditures on the Skilled Addendum and all except the “Drugs & Medical” and “Therapeutic Outside Professional” directly attributable to the Skilled/Medicare days on the main and sub-schedules.
3. Report the costs of a separate Skilled Unit on the Addendum schedule and leave any skilled days out of the statistics schedule.

The “Drugs & Medical” and “Outside Therapeutic Professional” for skilled care are **NOT ALLOWABLE EXPENDITURES FOR ESTABLISHING REGULAR NURSING HOME CARE RATES.**



# SALARIES AND WAGES SCHEDULE

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Report gross salaries (before deductions) and actual hours worked as reflected by your records. Salaries should correspond to the amount of wages paid for the last four quarters as shown by the payroll tax reports adjusted for accruals, if applicable.

Nursing homeowners, partners, stockholders, and corporate officers may be employed by a nursing home and receive just compensation for services which are necessary to routine patient care. However, this compensation amount is considered part of the “Administrative Services Allowance” and should be included on the Administrative Services Schedule. **DO NOT INCLUDE SALARIES OF THIS TYPE ON SALARY AND WAGES SCHEDULE. ALSO, RECORD THE BENEFITS PAID FOR THESE SALARIES ON THE ADMINISTRATIVE SERVICES SCHEDULE.**

The only exceptions are salaries of owner employees for time worked as DON, RN, LPN, CMA, NA, QMRP, or licensed therapist.

Note: The Salaries and Wages Schedule may not be saved unless there are hours entered for each line that salary dollar amounts are entered.

# OUTSIDE PROFESSIONAL SERVICES SCHEDULE

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The purpose of this Schedule is to identify the cost of outside professionals who are not carried on the NH payroll. It does not include persons who have any economic interest in the facility. Record the costs and hours under the appropriate classification.

If “other” and “legal” outside professional fees are claimed, supporting documentation should be made available for audit purposes since the nature of the services performed will determine their allowability. Omission of an explanation will automatically result in an unallowable expense.

**DO NOT include cost of “Therapists” whose cost is directly attributable to Skilled Nursing Facility (SNF) patients.** These costs should be recorded only on the addendum main schedule. The therapy costs on this schedule should only include those directly attributable to regular nursing home patients.

# EMPLOYEE EXPENSES AND PAYROLL-RELATED EXPENSE SCHEDULE

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The purpose of this Schedule is to record the costs of employee benefits, including staff development & training.

## Section I-EMPLOYEE BENEFITS & PAYROLL RELATED EXPENSES

Employee benefits are amounts paid to, or on behalf of an employee in addition to direct salary and wages, and from which the employee, his dependent (as defined by IRS), or his beneficiary derives a personal benefit before or after the employee's retirement or death. Employee benefits are those primarily for the benefit of the employee. However, there may also be some intrinsic benefit to the employer such as increasing employee work efficiency and productivity. The cost of employee benefits must be reasonable and related to patient care.

Training and convention expenses are not to be included as employee benefits as these expenses are to be included in the Staff Development and Training section on the Employee Expenses Schedule.

### FICA AMOUNT:

Under the law, a deduction is made from the employee's paycheck for FICA (Social Security) taxes and the employer is required to match this amount. Only the employer-paid portion is to be shown on this Schedule. Do not include employee's contributions.

### UNEMPLOYMENT COMPENSATION EXPENSE:

Represents the "tax" upon payrolls that the employer is required to pay. The amount is readily discernible from the payroll tax reports filed.

### WORKERS' COMPENSATION:

Includes premium paid for workers disability protection. Security deposits are not to be included here as they are not expense items. Self-Insurance Premiums will be allowed up to the normal rates charged by the State Insurance Fund.

### GROUP HEALTH AND DENTAL INSURANCE:

Includes only the employer's portion, if any, of premiums paid for health and dental coverage for employees.

### LIFE INSURANCE:

Includes life insurance premiums paid by the nursing home only if benefits of the policy inure to the employee or his beneficiary.

PENSION-PLAN EXPENSE:

Includes cost of establishing and maintaining a fund for payment to employees, usually over a period of years, or for life, after retirement.

OTHER EMPLOYEE BENEFITS:

Includes other employee benefits such as paid educational courses benefiting the employees' interest - not the employer's, room and board furnished for the convenience of the employee, and free meals.

Section 2-STAFF DEVELOPMENT AND TRAINING:

The purpose of this schedule is to provide documentation for required training and other staff development.

REQUIRED TRAINING:

Includes such items as the following:

- Cost of Nurse Aide Competency Evaluations
- Other Licensed Direct Care Personnel Training – Includes other licensed direct care training cost other than competency evaluations such as cost of the actual training, textbooks, other required course materials, and transportation to the training or testing site. Also include nurse aide training reimbursed to aide for training received prior to employment.
- Other - Expenditures for education and training related to the provision of patient care. Convention expense must be limited to convention-related expenses for meetings and conferences directly related to patient care.

# TAXES: NON-PAYROLL RELATED SCHEDULE

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This Schedule itemizes non-payroll related taxes paid by the NH. Please note federal and state income taxes are not an allowable cost for the purpose of the cost report. Penalties and fines are also non-allowable.

EXCISE TAX:

Includes tax on capitalized assets, or assets which must be depreciated rather than expensed in the current period.

CORPORATION LICENSE:

This is a franchise tax collected annually by the state.

AD VALOREM:

Property taxes levied by the state.

AUTO TAG/REGISTRATION:

Includes only the appropriate portion of tag and registration fees that are directly related to patient care. Example: If auto is 60% personal use (as documented by mileage log) only 40% cost should be included on this schedule.

OTHER: **Note:** Please record the **Quality of Care Fee Assessments** on the line provided on the **Other Expenses Schedule not on this schedule.**

# OFFICE SUPPLIES AND EXPENSE SCHEDULE

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## OFFICE SUPPLIES & EXPENSES:

This line item includes such items as stationery, printing, general office supplies, routine minor office expenses, postage, adding machine paper, small appliances such as stapling machines, lettering guides, file folders, reproduction costs, etc.

## TELEPHONE:

Normally this will include the cost of basic service, long distance charges necessary in the provision of routine care and one-line yellow page advertising. A long-distance call log is suggested as a convenient means of documenting parties contacted and the purpose of the calls. Patient room phones are not an allowable expense.

Telephone expense should be reduced by credits arising from charges to patients, employees, or others.

## UTILITIES:

Ordinarily this cost includes heating, air conditioning, water, garbage collection and sewer charges. The cost will also include charges for cable TV if such is in effect in your area, but only the portion related to general, or lobby areas is allowable. The cost of patient room television service is not an allowable expense.

The offset credits, if any, would be the amount of reimbursements or proportionate charges to sublet space to other parties or any other use not related to routine care.

# INSURANCE: NON-PAYROLL RELATED SCHEDULE

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This Schedule should include all non-employee related insurance expense such as building and property damage, liability, and automobile coverage. Do not include workers' compensation, group health and dental, or life insurance as these employee-related insurance amounts should be reflected on Employee Expenses Schedule.

BUILDING POLICY:

Represents property damage and liability expense related insurance building structure and physical property.

AUTOMOBILE POLICY:

Includes property damage and liability expense related to insurance coverage of automobiles.

OTHER INSURANCE:

Expense related to other insurance policies including premiums paid by the facility on behalf of patients for eyeglass/denture coverage.

TOTAL:

Sum of lines 1-3.

BUILDING INSURANCE POLICY INFORMATION:

- Building Insured Value – Indicate amount of insurance coverage carried on building structure only.
- Contents Insured Value – Indicate amount of insurance coverage carried on contents only.

# GENERAL EXPENSES SCHEDULE

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## DUES AND SUBSCRIPTIONS

Costs included are professional, technical, or business-related organization costs if the organization's function and purpose can be reasonably related to the development and operation of patient care facilities and programs, or the rendering of patient care services. Costs of membership in such organizations are allowable costs. These costs include initiation fees, dues, special assessments, and subscriptions to periodicals.

Provider costs related to membership in social, fraternal, and other organizations are generally not allowable as these organizations concern themselves with activities unrelated to the member's professional or business activities. Political contributions are not an allowable cost as they are not related to patient care.

## PUBLIC RELATIONS:

Most expenses in this area are for advertising which is an unallowable expense; however, items necessary to routine care are allowable such as classified advertising for personnel. Costs associated with fund-raising, promotional, or publicity cost intended to increase patient utilization are non-allowable. Costs of activities including professional contacts with physicians and public health agencies to apprise them of availability of providers' services are allowable.

## AUTOMOBILE EXPENSE:

This item includes all the non-capital related auto expense incurred by the facility associated directly with patient care. Do not include costs associated with personal use of the vehicle. The OHCA suggests allocation of cost based on mileage documented by an auditable log. Accurate allocation between personal and NH use is subject to audit and unsupported or arbitrary allocations are not allowable costs.

Do not include auto insurance, as it is included on the Insurance Non-Payroll Schedule, nor depreciation which is included on the Capital Related Costs Schedule.

## MAINTENANCE:

Generally, the costs of all expenses, except salaries, necessarily incurred in the maintenance of the physical plant and equipment fall within this category, including, but not limited to, general repairs, minor alterations, tools, lawn mowing, shrubbery, and tree trimming, shoveling of snow, cleaning drives, hauling, and trucking, minor painting, redecorations, etc.

## LAUNDRY AND LINENS:

This includes all costs, except payroll, of providing clean laundry and linens. Although these items may be recorded separately on the NH books, they must be combined for the purpose of this report.



HOUSEKEEPING SUPPLIES:

This classification includes all those items, except salaries, normally used in housekeeping such as chemicals, mops, brooms, housekeeping carts, trash and vacuum cleaner bags, minor appliance, and similar items.

FOOD AND KITCHEN SUPPLIES:

This line includes cost of food, dairy products, bakery, and other kitchen supplies, including such items as pots, pans, cooking utensils, dishes, silverware, trays, straws, and other non-capitalized items of equipment.

Credits should be made to offset the aforesaid costs when cash reimbursements for groceries and kitchen supplies (by employees and others) and charges made for meals served to patients, guests and employees are made. These items reduce the NH cost.

SOCIAL SERVICES AND SUPPLIES

These items include, but are not limited to, expenditures made for patient activities, shopping, games, crafts, amusements, patients' parties and activities, holiday festivities and decorations, and other activities that are part of the routine care program. (Salaries are reported elsewhere).

# DRUGS AND MEDICAL SUPPLIES SCHEDULE

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The purpose of this Schedule is to provide detail of the cost of drugs and medical supplies routinely furnished to all patients as part of the NH daily rate. **DO NOT include cost of drugs and medical directly attributable to Skilled Nursing Facility (SNF) patients.** These costs should be recorded only on the addendum main schedule. Drugs and medical should include only that which would be supplied to all regular nursing home patients.

Where the cost of drugs or supplies is reimbursed, sold, charged or chargeable to patients, or others, your cost must be correspondingly reduced by the revenues received. Prescription drugs not covered under the Vendor Drug Program or not reimbursed by another third party can be included on this Schedule.

## Drugs & Medical Supplies – (Without Oxygen)

Routine drugs & medical purchased by the facility.

## Oxygen & Oxygen Related Supplies

This cost should be entered separate from all other drugs and medical supplies. This cost should include oxygen and any supplies associated with the use of oxygen, such as by not limited to; (Masks, tubing, nasal prongs, etc.).

## Over the Counter Drugs

These costs should be entered separate from all other drugs and medical supplies.

## Specialized Adaptive Medical Equipment

Other Durable Medical Equipment (DME) is “special” or “unique” equipment required for proper care and not reimbursed directly to the NH by Medicaid, Medicare, or other third-party payers. (Examples of DME include motorized wheelchairs, seat inserts, and orthopedic braces.

Do not include equipment as Specialized Adaptive Medical Equipment or other Durable Medical Equipment that is listed as part of your capital inventory of depreciable items on the Capital Related Costs Schedule.

# CAPITAL-RELATED COST SCHEDULE

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This Schedule should reflect the total ACTUAL capital cost.

Records of each asset must be maintained to support any depreciation amounts claimed.

To be acceptable, depreciable property must be identified. This is not to say that a separate ledger sheet must be maintained for each piece of equipment, but merely that a record must be kept which will identify each item of equipment being depreciated and reflect its cost or fair market value, if it was donated, at the time of acquisition.

The depreciation schedules are subject to audit. Incomplete or unclear schedules will be returned to the provider for completion. The schedules must make it perfectly clear as to what items are being depreciated. As stated previously in the instructions, reporting must be in keeping with generally accepted accounting principles.

Section 2314 of DEFRA (Public Law 98-369) amended Section 1861 (V) (1) of the Social Security Act regarding changes of ownership. The practical effect of DEFRA is that a “write-up” from a historical cost basis on newly acquired depreciable assets will no longer be allowed. The DEFRA limitation requires a calculation of the purchase price to the new owner. If a depreciable asset or asset group at the time of acquisition has an estimated useful life of at least 2 years and a historical cost of at least \$5,000, its cost must be capitalized and written off ratably over the estimated life of the asset. If an asset has a cost of less than \$5,000 or a life of less than two years, it is an allowable cost in the year of purchase.

See below for definitions of asset classifications.

## PROPERTY CLASSIFICATIONS

### BUILDING

The basic shell or structure and additions thereto. The remainder is identified as building equipment.

### BUILDING EQUIPMENT

Attachments to the building, such as wiring, electrical fixtures, plumbing, elevators, heating and air conditioning, and sprinkler systems. These items may be separated from the building cost and depreciated over their useful life.

### LAND

Land is not depreciable.

**LAND IMPROVEMENTS**

Includes such things as paving, tunnels, sewer and water lines, parking lots, sidewalks, shrubbery, fences, etc. These items are not considered to be a part of the land or the building.

**LEASE-HOLDS AND IMPROVEMENTS**

Betterments and additions made by the Nursing Home to Nursing Home Leased property, which become the property of the Lessor at the expiration of the lease, would be amortizable over the remaining term of the lease.

**EQUIPMENT**

In addition to the items listed above, major items of equipment such as furniture, accounting machines, beds, wheelchairs, desks, vehicles, etc., which have sufficient unit costs to justify identification and minimum life of at least three years must be capitalized.

**SECTION I (Equipment Rent and Lease)**

Report equipment rental and lease payments in this section. Lease payment amounts should not include maintenance fees or supplies, as these are not considered capital cost. Rental and lease contracts must be made available for audit.

**SECTION II (Facilities Rent and Lease)**

Report building facilities rental or lease payments in this section. The most common error is not using straight line depreciation which is required by Medicaid. Also, rental expense should be only that which is payable under arm's length, fair-market value contracts. Rental expense to related parties should be at an arm's length transaction, at fair market value amount, and will not be allowed unless documented as such.

**NOTE: BE CERTAIN AMOUNTS ARE NOT DUPLICATED AS PART OF THE INTEREST SECTION.**

**SECTION III (Interest Expense)**

Report all interest expense related to a capital debt on this Schedule. Do not include interest on working capital such as funds borrowed to pay monthly payroll, etc. Do not duplicate amounts already included as part of a lease payment in Section A.

**SECTION IV (Depreciation Summary)**

**Buildings and Improvements:**

Include acquisition cost and depreciation total.

**Land Improvements:**

Include acquisition cost and depreciation total.

**Leasehold Improvements:**

Include acquisition cost and depreciation total.

Equipment:

Include acquisition cost and depreciation total.

Note: No zero amounts may be reported on any line for which there is cost reported-if in fact the value has gone to zero due to full depletion then enter 1.

# ADMINISTRATIVE SERVICES SCHEDULE

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Administrative services should reflect the actual cost of the items covered by the administrative services allowance: owner's salary and non-salary compensation, management fees, and home office expense.

Enter **Home Office** cost descriptions and amounts.

Enter **Owners' non-salary compensation**, if applicable. This includes any compensation to owners not included as salary on the regular payroll, such as one time remuneration for services rendered to the facility. **Do not include profit distributions or dividends.**

Enter **Owners' Salary** amount for hours worked other than for direct care (Direct care salaries and hours should be entered on line 6). The amount on line 2 should not be included on Schedule A (Salaries and Wages).

Enter all **Benefits on Owner's Salaries** (FICA, Unemployment, Workers' Compensation Insurance, Pension or other paid **for owner's** whose **salaries** are reported on Line 2).

Enter all payments for **Director's Fees** – not to include profit distributions or owners' compensation.

Enter **Management Fees** paid for administrative services only.

## OTHER EXPENSES SCHEDULE

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This cost classification should include only the expense you are unable to classify in other cost centers of the cost report. Any “Other Expenses” should be cited only for your own information and for the purpose of reconciling your records with the filed reports. Avoid adding any extra items to the “other expense” category since many of these items will invariably fit into one of the provided classifications. Some exceptions that might be added here are expenditures for vaccines, uniforms, criminal background checks, etc. The 1<sup>st</sup> line should be used to report “**Hepatitis Vaccination**” costs separately. All facilities should report “**Provider Fees**” (Quality of Care Fees) on Line 2 of this schedule using the cash basis method of accounting.

# RELATED ORGANIZATIONS SCHEDULE

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Complete Schedule only if pertinent to your facility i.e., if you reported related organizations on the statistics schedule and purchase goods and/or services from a related to your facility through ownership.

## RELATED ORGANIZATIONS

Federal Regulations, 42 CFR § 413.17, requires the NH to identify related organizations and to summarize costs incurred in transactions between the NH and such related organizations. This regulation reads as follows:

“(a) Cost of services, facilities, and supplies furnished by organizations related to the provider, by common ownership or control, must not exceed the lower of the cost of the organization or the price of comparable services, facilities, or supplies purchased elsewhere.

“(b) The cost report must identify related organizations and costs.”

A related organization is one in which there is a common ownership or controlling interest existing between the vendor and the NH.

Each Contract with payments to a “Related” party must be documented by Cost Allocation Statements from the party and by bids from other “Outside” suppliers.